

**CANUTILLO INDEPENDENT SCHOOL DISTRICT  
EL PASO, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL  
REPORT FOR THE YEAR ENDED  
JUNE 30, 2018**

***PREPARED BY  
FINANCIAL SERVICES DEPARTMENT***



**CANUTILLO INDEPENDENT SCHOOL DISTRICT**  
 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended June 30, 2018

**Table of Contents**

	<u>Page</u>	<u>Exhibit</u>
<b><u>Introductory Section (Unaudited)</u></b> .....	1	
Letter of Transmittal ..	3	
GFOA Certificate of Achievement for Excellence in Financial Reporting .....	19	
ASBO Certificate of Excellence in Financial Reporting .....	20	
Canutillo ISD Organizational Chart .....	21	
List of Elected and Appointed Officials (Directory) .....	22	
Certificate of Board ..	23	
<b><u>Financial Section</u></b> .....	25	
Independent Auditor's Report .....	27	
Management's Discussion and Analysis .....	31	
<b><u>Basic Financial Statements</u></b> .....	43	
Government-Wide Financial Statements		
Statement of Net Position .....	44	A-1
Statement of Activities .....	45	B-1
Governmental Fund Financial Statements .....	47	
Balance Sheet - Governmental Funds ..	48	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	49	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds .....	50	C-3
Reconciliation of the Governmental Funds Statement of Revenue, Expenditures, And Changes in Fund Balance to the Statement of Activities .....	51	C-4
Proprietary Fund Financial Statements .....	53	
Statement of Net Position .....	54	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position .....	55	D-2
Statement of Cash Flows .....	56	D-3
Fiduciary Fund Financial Statements .....	57	
Statement of Fiduciary Assets and Liabilities .....	58	E-1
Notes to the Basic Financial Statements .....	59	
<b><u>Required Supplementary Information</u></b> .....	105	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund .....	106	G-1
Notes to the Required Supplementary Information - Budget and Actual General Fund .....	107	
Schedule of the District's Proportionate Share of the Net Pension Liability- Teacher Retirement System of Texas .....	108	G-2
Schedule of the District's Contributions for Pensions - Teacher Retirement System of Texas ..	109	G-3
Notes to Required Supplementary Information for Pensions .....	110	
Schedule of the District's Proportionate Share of the Net OPEB Liability- Teacher Retirement System of Texas .....	111	G-4
Schedule of the District's OPEB Contributions - Teacher Retirement System of Texas .....	112	G-5
Notes to Required Supplementary Information for OPEB .....	113	

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**  
**Table of Contents**  
**(Continued)**

	<u>Page</u>	<u>Exhibit</u>
<b><u>Combining and Other Statements</u></b> .....	115	
Nonmajor Governmental Funds .....	116	
Combining Balance Sheet .....	118	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	122	H-2
Agency Fund .....	127	
Statement of Changes in Assets and Liabilities .....	128	H-3
<b><u>Other Information - Required TEA Schedules</u></b> .....	129	
Schedule of Delinquent Taxes Receivable .....	130	J-1
Fund Balance and Cash Flow Calculation Worksheet .....	132	J-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Child Nutrition Program .....	133	J-3
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Debt Service Fund .....	134	J-4
		<u>Table</u>
<b><u>Statistical Section (Unaudited)</u></b> .....	135	
Financial Trends .....	137	
Net Position by Component .....	139	I
Expenses, Program Revenues, and Net (Expense)/Revenue .....	140	II
General Revenues and Total Change in Net Position .....	142	III
Fund Balances, Governmental Funds .....	144	IV
Revenue Capacity Information .....	147	
Governmental Funds Revenues .....	148	V
Governmental Funds Expenditures and Debt Service Ratio .....	150	VI
Other Financing Sources and Uses and Net Change in Fund Balances .....	152	VII
Assessed Value and Actual Value of Taxable Property .....	154	VIII
Direct and Overlapping Property Tax Rates .....	155	IX
Principal Property Taxpayers .....	156	X
Property Tax Levies and Collections .....	157	XI
Debt Capacity Information .....	159	
Outstanding Debt by Type .....	160	XII
Direct and Overlapping Governmental Activities Debt .....	161	XIII
Legal Debt Margin Information .....	162	XIV
Demographic and Economic Information .....	165	
Demographic and Economic Statistics .....	166	XV
Principal Employers .....	167	XVI
Operating Information .....	169	
Full-Time Equivalent District Employees by Type .....	170	XVII
Operating Statistics .....	171	XVIII
Building Information .....	172	XIX

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**  
**Table of Contents**  
**(Continued)**

	<u>Page</u>	<u>Exhibit</u>
<b><u>Reports on Compliance, Internal Control and Federal Awards</u></b> .....	175	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	177	
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance .....	179	
Schedule of Findings and Questioned Costs .....	180	
Schedule of Status of Prior Findings .....	183	
Schedule of Expenditures of Federal Awards .....	184	K-1
Notes to Schedule of Expenditures of Federal Awards .....	185	

**INTRODUCTORY SECTION  
(UNAUDITED)**

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# Canutillo Independent School District Chief Financial Officer

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November 5, 2018

## **Letter of Transmittal**

To the Board of Trustees and Taxpayers of the Canutillo Independent School District:

The Texas Education Code requires that all school districts file a set of financial statements with the Texas Education Agency (TEA) within 150 days of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards. Pursuant to this requirement, we hereby issue the Comprehensive Annual Financial Report of the Canutillo Independent School District (the District) for the fiscal year ended June 30, 2018.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. In order to provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed to protect the District's assets from loss, theft or misuse. Additionally, the internal control framework is designed to compile sufficient reliable information for the preparation of the District's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the costs of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The financial statements of the District have been audited by Gibson Ruddock Patterson LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2018, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was a reasonable basis for rendering an unqualified opinion that the district's financial statements for the year ended June 30, 2018, are presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The district includes all funds of its governmental operations that are controlled by or dependent upon the district as determined on a basis of financial accountability. Financial accountability includes appointment of the organization's governing body, imposition of will, and fiscal dependency. The district is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity". The accompanying financial statements include only those funds of the district, as there are no other organizations for which it has financial accountability.



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The district is also required to undergo an annual “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements for the administration of federal awards. The results of the district's single audit for the fiscal year ended June 30, 2018, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

These reports are available in the Federal Awards Section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District’s MD&A can be found immediately following the report of the independent auditors.

CISD management is directly responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of “reasonable assurance” recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived from its implementation; and (2) the valuation of cost and benefit requires estimates and judgments by management. CISD management believes that the internal controls adequately meet these objectives.

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Trustees. Every school district in Texas is required by law to prepare and file a budget with the Texas Education Agency. Activities of the General, Child Nutrition (special revenue) and Debt Service funds are included in the district's budget. Budgets for Special Revenue funds (other than the Child Nutrition Fund) and Capital Projects Fund are prepared on a project basis, based on grant regulations or applicable bond ordinances. Budgetary control (the level at which expenditures cannot legally exceed appropriations) is maintained at the functional category level within each fund. These functional categories are defined by the Texas Education Agency and identify the purpose of transactions. The district also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end. However, encumbrances outstanding at year-end generally roll over to and are absorbed by the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the district continues to meet its responsibility for sound financial management.





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## Governing Body

The Board of Trustees consists of seven members who serve, without compensation, a four-year term in office. On a rotating basis, three or four places are filled during annual elections held the second Saturday of November. Vacancies may be filled by appointment until the next election. Candidates must be qualified voters of the District.

Regular meetings are usually scheduled on the fourth Tuesday of each month and are held at the Canutillo ISD Central Office Board Room. Special meetings and work sessions are scheduled as needed and announced in compliance with public notice requirements.

The Board has final control over local school matters limited only by the state legislature, by the courts, and by the will of the people as expressed in school Board elections. Board decisions are based on a majority vote of those present.

In general, the Board adopts policies, sets direction for curriculum, employs the Superintendent, and oversees the operations of the District and its schools. Besides general Board business, Trustees are charged with numerous statutory regulations including calling trustee and other school elections and canvassing the results, organizing the Board and electing its officers. The Board is also responsible for setting the tax rate, setting salary schedules, and acting as a board of appeals in personnel and student matters, confirming recommendations for textbook adoptions and adopting and amending the annual budget.

The Board solicits and evaluates community input and support concerning actual policies.

The financial statements are best understood when it is considered within the perspective of the environment in which the District operates.

## Canutillo History:

1911

- El Paso County was in charge of schools.
- County constructed first school in Canutillo: The Lone Star School – Boundaries extended from White Spur to La Tuna and New Mexico state line to Franklin Mountains (13 miles long and 6 miles wide).

1920's

- Lonestar expanded to include 5th-8th grades for a total enrollment of 350 students.
- Students wishing to continue their education had to travel nearly 15 miles to attend El Paso High School, which continued through the 1950's.

1950's

- Canutillo ISD officially opened for operation in 1959.
- First Board of Trustees elected, tax collections office set up, plans developed for construction of school facilities.
- First Superintendent was Joseph MacDougall – Former principal of the Lone Star School.  
– Served until 1965 when he was appointed head of Project Bravo and facilitated Canutillo's efforts to initiate youth sports programs, elderly health services and Head Start for pre-school children.



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1960's

- CISD passed first bond of \$330,000 bond to add classroom wing for high school students next to Lone Star School.
- CISD graduated first senior class in 1963 with 33 students.

1970's

- CISD passed second bond for \$800,000 for a high school in 1973.
- CISD purchased 30 acres on Bosque Road from PSB; high school opened for 1974-1975 school year.
- CISD passed third bond in 1979 to construct Canutillo Middle School on Talbot Road.
- CMS opened for 1980-1981 school year.

1980's

- CISD passed third bond for \$7.1 million in 1987 to construct two new elementary schools: Jose Damian Elementary in the Borderland area, and Deanna Davenport Elementary in the Westway community.

1990's

- CISD passed fourth bond for \$10 million to construct Bill Childress Elementary in Vinton, a Support Services & Transportation Facility, and phase one of the new Canutillo Elementary School.
- CISD passed fifth bond for \$23 million to build the new Canutillo High School on South Desert Boulevard on 50 acres adjacent to EPCC's Northwest Campus.

2000's

- CISD passed sixth bond for \$12.3 million in 2003 for district-wide maintenance and renovation projects and additional funds for high school construction.
- High school opened for 2005-2006 school year.
- CISD passed seventh bond for \$39 million to enhance existing schools and construct fifth elementary campus, Gonzalo & Sofia Garcia Elementary.
- CISD and EPCC opened the Northwest Early College High School in 2008, which provides opportunity for students to earn high school diploma and associate's degree in four years at no added cost to student.

2010's

- CISD passed eighth bond for \$44 million and tax ratification election (TRE) in 2011, known as Decision 2011, to upgrade existing schools and construct CISD's 10th campus.
- In August 2015, CISD opened the Congressman Silvestre & Carolina Reyes Elementary School.

The Canutillo Independent School District, strategically situated in the far west section of El Paso County, lies within one of the fastest growing areas in Texas.

Canutillo's lies north of downtown El Paso. As Canutillo ISD approaches build out, enrollment growth is increasing. Preliminary enrollment counts for the 2019 school year indicate a slightly increasing enrollment.



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## CANUTILLO INDEPENDENT SCHOOL DISTRICT

The Texas Education Agency and Southern Association of Colleges and Schools provide the district's K-12 education accreditation. The district employs 1,148 teachers and support personnel to serve the district's 10 campuses. Students from Canutillo attend classes at 6 elementary schools (PK-6), 2 middle schools (7-8), 1 high school (9-12), and 1 Early College High School. We have yet to feel the impact of any charter schools in the area.

### Canutillo ISD Stats:

Information current as of 2017-2018 school year

#### Students

- Enrollment 6,219
- 66.1% are economically disadvantaged.
- 94% identify as Hispanic.
- 29.3% are English Language Learners
- Total graduates: 470
- Graduation Rate: 91%
- Attendance Rate: 96%
- Student Teacher Ratio: 15:4.1
- All students can receive free breakfast, lunch and dinner.

#### Facilities

- 3 Administrative Buildings
  - Central Office, Facilities & Transportation, Student Support Services
- 10 Campuses
  - 6 elementary, 2 middle, 1 public high school, 1 early college high school.

#### Staff

- Employees: 1148
- Teachers: 400
- Bachelor's: 64%
- Master's: 34%
- Doctorate: 1%
- 46% >10+ years' experience
- Student Teacher Ratio = 15.5:1
- 2018 Starting Teacher Salary: \$46,750

#### Budget

- Operating Budget: \$71.8 million
- Tax Rate: 1.53



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In 2013 the 83rd Texas Legislatures established the new Foundation High School Program as the default high school graduation program for all students entering high school beginning in 2014-2015. The State Board of Education in January 2014 adopted rules related to the new Foundation High School Program. The new Foundation High School Program is a new, more flexible graduation program that allows students to pursue their interests and will be in place for all students who enter high school, beginning in the 2014-2015 school year.

Canutillo ISD delivers educational services by following an aligned curriculum. All courses and programs are facilitated through an electronic curriculum that aligns with state standards. Course offerings for PK-12 include the four basic areas of English (reading and writing), math, science and social studies, along with a full range of offerings in the visual and performing arts, foreign languages, Pre-Advanced Placement (AP) courses, and a multitude of other challenging opportunities. High school students can complete coursework through dual credit courses where students receive both high school and college credit.

Special programs that ensure success for all students include Special Education, Dyslexia, 504, Advanced Academics, Homebound, English as a Second Language, Bilingual programs for Spanish students, and Career and Technical Education (CTE).

Student services incorporate health-related support programs, guidance and library/media services, bullying prevention programs, credit recovery, drop-out services and early interventions in support of academic and behavioral success. CISD also provides parent education with tailored sessions for dyslexic, ESL and bilingual parents. A parent drug education program is required for parents of students in University Interscholastic League (UIL) programs, athletics and fine arts. Through its Career and Technology Education program, CISD provides opportunities for students to explore career possibilities and master skills that are in high demand in business and industry, such as arts and communication, health and medicine, science, engineering and technology, and social, personal and public services.

## FOCUS & DIRECTION

### Superintendent's Letter – 5 Year Strategic Plan

The Canutillo Independent School District stands as one of the most recognized and fastest-growing school districts in the El Paso community. With a rich history, strong character, and a wealth of people willing to devote their energy and spirit to our children's education, we are poised to reach our goal of becoming one of the premier school districts in the region, the state, and the nation.

To ensure that we achieve our goal, we have developed a strategic plan to guide our leadership, administrators, and staff as we work tirelessly to provide an innovative, high-quality education for the children of the Canutillo community.



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The CISD stands to experience rapid growth in housing, retail, commercial, and industrial developments in the coming years. Already, we can see the formation of new housing subdivisions in ever-expanding neighborhoods. We can see the construction of large-scale endeavors such as a new teaching hospital and business expansions in Northwest El Paso, endeavors that will enhance our district with new job opportunities and increased economic development.

To best accommodate this increase in residential and business populations on the horizon, we have to plan today. We must understand that growth is inevitable, and that it can be an invaluable opportunity for a school district prepared to seize it.

The long-term vision of the strategic plan will ensure that we are devoting all our district's time and resources toward achieving our yearly goals. This will serve as the foundation for our district's growth over the next half-decade and beyond. The CISD has made great strides in establishing itself as a school district of exceptional academic achievements, athletic prowess, and artistic talents. With this strategic plan, our district can continue to move forward with the confidence that our efforts are bringing us closer each and every day to our goal of being the premier school district.

Sincerely,

***Dr. Pedro Galaviz***  
Superintendent of Schools  
Canutillo Independent School District



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## Mission:

To provide high quality educational experiences that will inspire and prepare all students to apply the knowledge and skills necessary to become effective leaders and productive citizens.

## Vision:

CISD is a premier school district with nationally-ranked, multi-literate graduates ready to excel in college, their careers, their community, and in life.

## Core Values:

High Expectations • Culture of Excellence • Transparency • Student Centered • Accountability

## Raising the Bar in Academics

- The District earned an A for its 2017-2018 Texas Accountability Rating the highest in the region. Canutillo schools received 20 distinction designations in the latest report for the state accountability system. The District also had four schools which earned an A, five schools earning a B, and one earning a C.
- The U.S. Department of Education announced the schools that earned a 2018 Blue Ribbon Award -- the highest honor given to a school by the federal government -- and Canutillo ISD's Northwest Early College High School was on the list. Northwest is Canutillo's first Blue Ribbon School and joins an elite group of schools nationwide that have shown excellence in academics. The Texas Education Agency nominated it for the national award in the Exemplary High-Performing category.
- Northwest Early College High School and Congressman Silvestre & Carolina Reyes Elementary have been named to the 2017 - 2018 Educational Results Partnership Honor Roll for their high achievement and student success. Our students continue to earn achievements in UIL academic and Career and Technology competitions. The CISD curriculum is rigorous and aims to prepare students for college and life after high school.

## Commitment to STEM and STEAM Education

- The Texas Education Agency continues to designate Canutillo High School and Canutillo Middle School as a Texas Science, Technology, Engineering and Mathematics (T-STEM) academy. This makes the District one of only a few in the state of Texas to have a sixth through twelfth grade T-STEM track.
- Canutillo Eagle Technologies has become the leading robotics team in West Texas. The Canutillo High School Robotics Team won the West Texas Regional Championship March 3, 2018 and qualified two teams for the 2018 VEX Robotics World Championship April 25-28, 2018 in Louisville, Kentucky.



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- Additionally, thanks to a partnership with the University of Texas at El Paso, Childress created the Future Miners M.E.T.A.L.S Lab classroom that will allow teachers to use inquiry-based learning and students to use their curiosity to solve academic problems. The special classroom includes actual physical construction as children build things to solve problems. It also includes the construction of knowledge and skills as students create and test hypothesis, conduct research, collaborate with others and find new ways to express what they have learned.

## **Innovative in Our Programs**

- CISD offers its students a wide range of academic programming that is unrivaled. Students can choose from programs like Early College High School, Advancement via Individual Determination, Princeton Review, Dual Credit, Advanced Placement and others.
- Alderete Middle School continues its work to prepare students for success in the medical field. The Medical Academy program challenges students through rigorous curriculum and accelerate academics in the areas of mathematics and science as they prepare for their careers and their future. This year the school unveiled its new augmented reality and virtual reality learning lab. The ZSpace Learning Lab features 10 workstations that were purchased this year using a grant from the Every Student Succeeds Act (ESSA). ZSpace software covers content in a variety of subjects with more than 1,000 3-D models where students can explore, investigate, dissect, design, build, troubleshoot, compare and analyze.
- Writing-to-learn has become an innovative instructional strategy at Canutillo ISD and the District's success story was published in the Write for Texas snapshot publication. The district has expanded on this work with bringing "The Writing Academy" trainers and staff development to its teachers. Additionally, teachers were invited to participate in the weeklong workshop in Kema, Texas. These instructional strategies are becoming common place in the classroom and the district has seen growth in student writing scores. This reflects the importance the district places on writing for students.
- The Dual language program in Canutillo ISD continues to garner attention. In the Canutillo ISD dual language program, students continue developing their ability to speak their native language while becoming proficient English speakers. Students are exposed to both languages every day in all their courses like Math, Science, Social Studies, English and Language Arts. Implementing daily instruction in all courses of study reinforces language mastery. Dr. Barbara Kennedy, TEA Director of English Learner Support, visited Canutillo Elementary School to observe how dual language instruction is being delivered in early childhood and throughout elementary levels. Students in the dual language program at Canutillo have been making academic gains on state exams. Comparing the 2017 and 2018 STAAR results for only English learners, Reading increased from 59 to 62, Math from 65 to 78, and Science from 61 to 65 in approaching grade levels.



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## Competitive Edge

- This year the Canutillo High School Math Team was named state champions in UIL Calculator Applications competition. It has been the reigning regional champion three years in a row and district champion four years in a row.
- Canutillo administrators also have brought distinction to the district. Northwest Early College High School Principal Tracy Speaker-Gerstheimer is one of only 11 recipients of the 2018 Terrel H. Bell Award for outstanding School Leadership from the Department of Education-- one of the highest honors given by the agency. Congressman Silvestre and Carolina Reyes Elementary School Assistant Principals was named the 2018 National Assistant Principal for Texas by the Texas Elementary Principals and Supervisors Association (TEPSA).
- About 100 graduating seniors from Canutillo High School and Northwest Early College High School signed their commitments to universities and colleges across the nation on May 17, 2018. The class of 2018 received more than \$11 million dollars in academic scholarships, grants, fee waivers, extensions, military aid, and federal work study programs.
- A Canutillo High School senior was selected as a Gates Scholar and became a member of the Gates Scholarship Inaugural class of 2018. He was chosen as one of 300 scholars from a pool of more than 28,700 applicants from across the nation. The prestigious Gates Scholarship program, supported by the Bill & Melinda Gates Foundation, is a highly selective, full scholarship for exceptional, Pell-eligible, minority, high school seniors.
- The Canutillo High School UIL Academic Teams are 2018 District UIL Sweepstakes Champions. This is the second time in school history that they are District Sweepstakes Champions. The school won first in Accounting, Spelling & Vocabulary, Science, Mathematics, Number Sense, and Calculator Applications. Students also placed in Literary Criticism, Social Studies, Current Events, Journalism Events, and Theater.
- Excellence within Canutillo Fine Arts has become a tradition as it continues to spread its magic regionally and nationally. The performances by the Canutillo Middle School Honor Band and Reyes Elementary School Chamber Choir earned them Gold Awards at the WorldStrides Heritage Festival at Disneyland in Anaheim, California. The CMS Honor Band, directed by Mr. Christian Rodriguez, received a Gold First-Place Award at the Festival. This accomplishment has given them the opportunity to participate in an elite series known as the Festival of Gold in New York City. This achievement has qualified them to perform at the world-renowned Carnegie Hall.
- The Canutillo High School Chamber Choir won the Sweepstakes Award at the 2018 U.I.L. Large Group Concert and Sight-Reading Competition at Eastlake High School. This award is the highest honor given to an ensemble at this competition. This means the choir earned a 1st division in the concert part of the competition and a 1st division in the sight-reading part of the competition.





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- The Alderete Middle School Band received sweepstakes and Choir received 1st division in concert and 2nd division in sight reading, making them Varsity level next year. The choir is formed by both CMS and AMS students.
- The Canutillo Middle School Honor Choir competed in UIL March 2018 at Eastlake High School and received the Sweepstakes Award by receiving straight division ones from all judges in performance and sight-reading. The CMS Honor Band competed at Pebble Hills High School and obtained a Division One in the performance portion.
- The Canutillo High School Cross Country girls team finished as the Runner Up at the 2018 District Meet. They competed at the Regional Meet in Lubbock.
- The Canutillo High School Varsity Volleyball team became Bi-District Champions by defeating Burges and competed in the area round of the playoffs.

## Committed to Our Students

CISD Students can further enrich their quality of life by participating in programs such as Kids Excel, No Place for Hate, Boys & Girls Club and Character Counts. CISD is committed to the education of the whole child.

- Canutillo ISD Programs:
  - Advanced Academics
  - Gifted and Talented/GT Programs
  - Advanced Placement Courses
  - Dual Credit
  - Dual Language Programs
  - Career Technology Education (CTE)
  - Endorsement Academies for House Bill 5: Multidisciplinary, Business & Industry, Public Services, Arts & Humanity, and STEM
  - AMS Medical Magnet Middle School
  - CMS Science, Technology, Engineering, Art, and Math Academy
  - TSTEM Designation at Canutillo High School
  - Northwest Early College High School
  - Naval Junior Reserve Officers Training Corps (NJROTC)
  - AVID Advancement Via Individual Determination
  - Project Lead the Way
  - Robotics
  - Girls Who Code

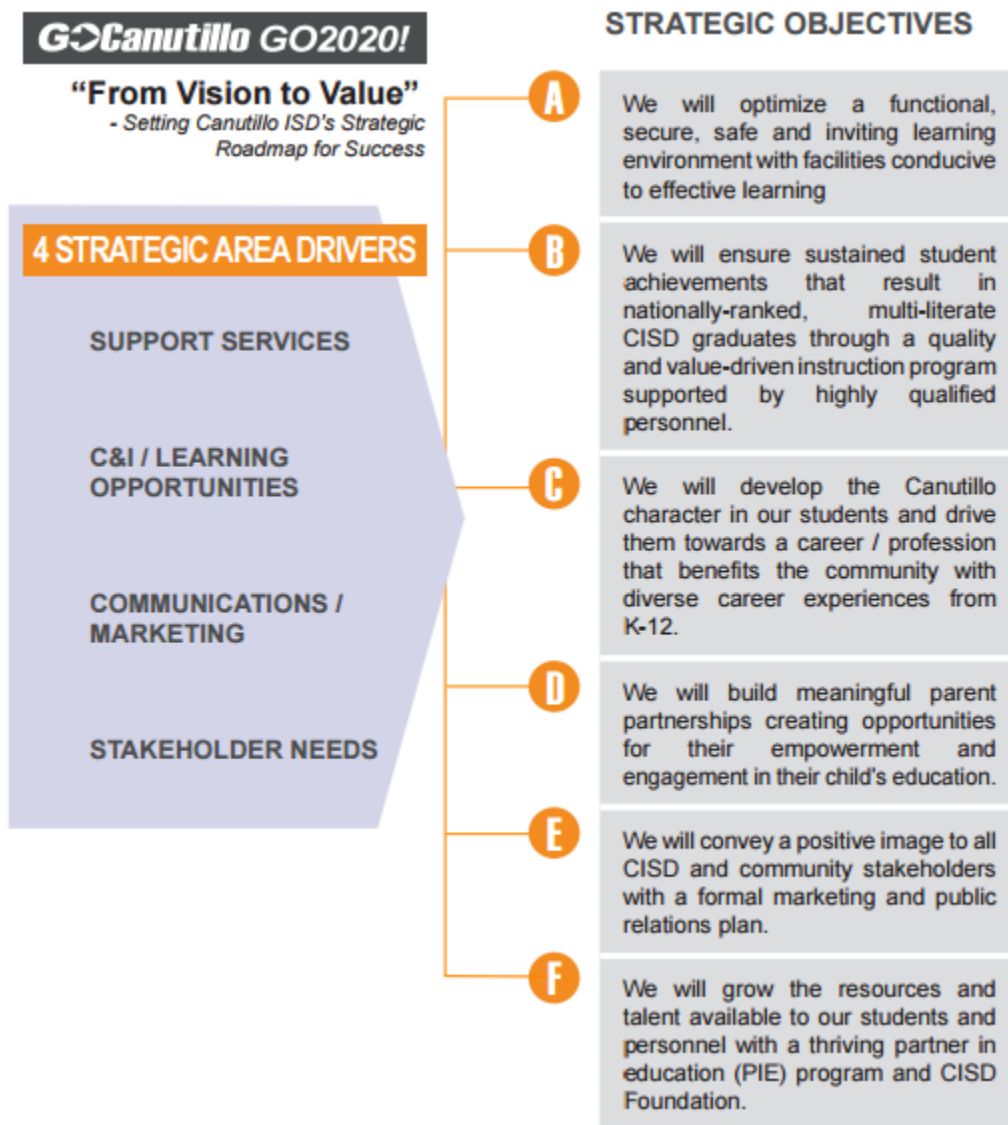


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## DISTRICT STRATEGIC GOALS:

Key Strategic Area Drivers  
Strategic Objective Summary Diagram





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## MAJOR INITIATIVES AND ACCOMPLISHMENTS

Canutillo ISD continues to work to grow its fund balance. This year \$3.158 million will be added to the balance on our way to obtain the optimum fund balance. Meanwhile, CISD continues to avoid raising the District's tax rate. The last tax increase was for the 2015 fiscal year. Also, staff worked with the rating agencies to upgrade our outlook from "negative" to "Stable".

District personnel will continue to work with the community through the Citizens Bond Accountability Committee to review the facility needs of the district in future years. This Board-appointed committee makes recommendations to the Board of Trustees for needs that will be addressed through additional debt issuance, while minimizing the financial impact on the taxpayer. As new construction slows and significantly fewer bonds are issued, the district's annual debt requirements will decrease as well. This would eventually lead to decreases in the debt service portion of the tax rate, unless new bonds are issued.

Performance Improvement System. Canutillo ISD operates within a continuous improvement framework in all areas. District employees are trained on the concepts, ideas and practices of continuous improvement on a regular, on-going basis. On-going systems to embed continuous improvement practices into the daily work of employees include the refinement of the appraisal system, the interactive learning plan for administrators at monthly meetings and the expansion of a trained cadre of teachers to share the models on campuses.

Accountability. Canutillo ISD earned an "A" the highest rating from the Texas Education Agency's 2018 Accountability Rating system. Under the new accountability system, campuses/districts are assigned one rating based on meeting targets on performance indices. The following page contains the overall ratings of all of Canutillo schools.

## 2018 A-F ACCOUNTABILITY LISTING CANUTILLO ISD

District/ Campus	Overall		Student Achievement		Academic Growth		Relative Performance		Closing the Gaps	
	Grade/Rating	Score	Grade/Rating	Score	Grade/Rating	Score	Grade/Rating	Score	Grade/Rating	Score
CANUTILLO ISD	A	91	B	85	B	80	A	90	A	92
BILL CHILDRESS EL	Met Standard	87	Met Standard	77	Met Standard	85	Met Standard	85	Met Standard	92
CANUTILLO EL	Met Standard	93	Met Standard	83	Met Standard	80	Met Standard	90	Met Standard	100
CONGRESSMAN SILVESTRE & CAROLINA S	Met Standard	92	Met Standard	88	Met Standard	83	Met Standard	74	Met Standard	100
DEANNA DAVENPORT EL	Met Standard	81	Met Standard	73	Met Standard	74	Met Standard	82	Met Standard	77
GONZALO AND SOFIA GARCIA EL	Met Standard	82	Met Standard	79	Met Standard	75	Met Standard	83	Met Standard	81
JOSE H DAMIAN EL	Met Standard	90	Met Standard	86	Met Standard	89	Met Standard	85	Met Standard	92
CANUTILLO MIDDLE	Met Standard	85	Met Standard	81	Met Standard	74	Met Standard	87	Met Standard	81
JOSE J ALDERETE MIDDLE	Met Standard	84	Met Standard	78	Met Standard	75	Met Standard	87	Met Standard	78
CANUTILLO H S	Met Standard	78	Met Standard	78	Met Standard	68	Met Standard	81	Met Standard	72
NORTHWEST EARLY COLLEGE HS (NWECH)	Met Standard	97	Met Standard	96	Met Standard	88	Met Standard	96	Met Standard	100

DATA SOURCE: TEA Accountability Reports 2018

### 2018 DISTINCTION DESIGNATIONS CANUTILLO ISD

CAMPUS	ACCOUNTABILITY RATING	SCORE	DISTINCTION DESIGNATION								
			ACADEMIC ACHIEVEMENT IN				TOP 25 PERCENT				
			READING/ELA	MATHEMATICS	SCIENCE	SOCIAL STUDIES	ACADEMIC GROWTH	CLOSING THE GAPS	POSTSECONDARY READINESS		
Bill Childress Elementary	MET	87			★				★		★
Canutillo Elementary	MET	93	★						★		★
Deanna Davenport Elementary	MET	81									
Gonzalo & Sofia Garcia Elementary	MET	82			★						
Jose Damian Elementary	MET	90	★		★				★		
Reyes Elementary	MET	92							★		
Canutillo Middle	MET	85	★	★	★		★		★		★
Jose Alderete Middle	MET	84	★		★		★		★		★
Canutillo High	MET	78									
Northwest Early College High	MET	97	★						★		★
Canutillo ISD	MET	91									

DATA SOURCE: TEA Accountability Reports 2018



# Canutillo Independent School District Chief Financial Officer

*Excellence Through Integrity and Innovation*

Campuses that achieve the rating of Met Standard can also earn distinction designations in seven possible areas. All 10 Canutillo ISD campuses met the Accountability Standard and 8 campuses received at least one Distinction Designation:

District Student and Staff Accomplishments:

Canutillo ISD Finance Awards

For the second year, the Canutillo ISD was awarded the Government Finance Officers Association of the United States and Canada's (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) for fiscal year ending June 30<sup>th</sup>, 2017. This award is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment.

The purpose of the GFOA is to enhance and promote the professional management of governments for the public benefit by identifying and developing financial policies and best practices that illustrate the spirit of transparency and full disclosure.

In addition, Canutillo ISD was also awarded the Certificate of Excellence in Financial Reporting Award from the Association of School Business Officials (ASBO) for its Comprehensive Annual Finance Report (CAFR) for fiscal year ending June 30<sup>th</sup>, 2017 for the second consecutive year. This prestigious award represents a noteworthy achievement and reflects CISD's commitment to the highest standards of school system financial reporting.

ASBO is a professional international association that provides programs and services to promote the highest standards of school business management practices, professional growth and the effective use of educational resources.

The FIRST (Financial Accountability Rating System of Texas) program, a financial accountability system for Texas school districts, was developed by the Texas Education Agency in response to Senate Bill 875 of the 76th Texas legislature in 1999. The primary goal of FIRST is to achieve quality performance in the management of school districts' financial resources, a goal made more significant due to the complexity of accounting associated with the Texas school finance system.

The District received a rating of "Above Standard" under Texas' Schools FIRST financial accountability rating system for Fiscal Year 2017. The rating demonstrating the quality of CISD's sound fiscal management. The district had achieved a "Superior Achievement" Rating for the previous fourteen years.

The Texas Education Code requires an annual audit of all public schools. This audit must be on an organization-wide basis and included all fund types and account groups that are accounting responsibility of the District. The audit is performed by a certified public accountant selected by the District's Board of Trustees. The auditor's opinion has been included in the report.



# Canutillo Independent School District Chief Financial Officer

*Excellence Through Integrity and Innovation*

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the finance department. We would like to express our sincere appreciation to all other District administrative staff which assisted and contributed to the preparation of this report. We would also like to express appreciation to the Board of Trustees for their interest and support in the financial operations of the District. Finally, we would like to thank the residents of the District for their support of our public schools, and the teachers and principals who provide the excellent standard of educational services for which the District has become known.

Canutillo ISD will apply for the Texas Transparency Stars for its continued progress toward achieving financial transparency. The Texas Comptroller's program recognizes local governments across Texas that are striving to meet a high standard for financial transparency online. The district's efforts to provide citizens with clear, consistent pictures of spending and share information in a user-friendly format have paved the way for achieving greater financial transparency.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Martha E. Piekarski".

Martha E. Piekarski, CPA/CFF  
Chief Financial Officer  
Business Services Division



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Canutillo Independent School District  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrill*

Executive Director/CEO



ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

The Certificate of Excellence in Financial Reporting  
is presented to

## Canutillo Independent School District

for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended June 30, 2017.

The CAFR has been reviewed and met or exceeded  
ASBO International's Certificate of Excellence standards.



A handwritten signature in black ink, reading 'Charles E. Peterson, Jr.'.

Charles E. Peterson, Jr., SFO, RSBA, MBA  
President

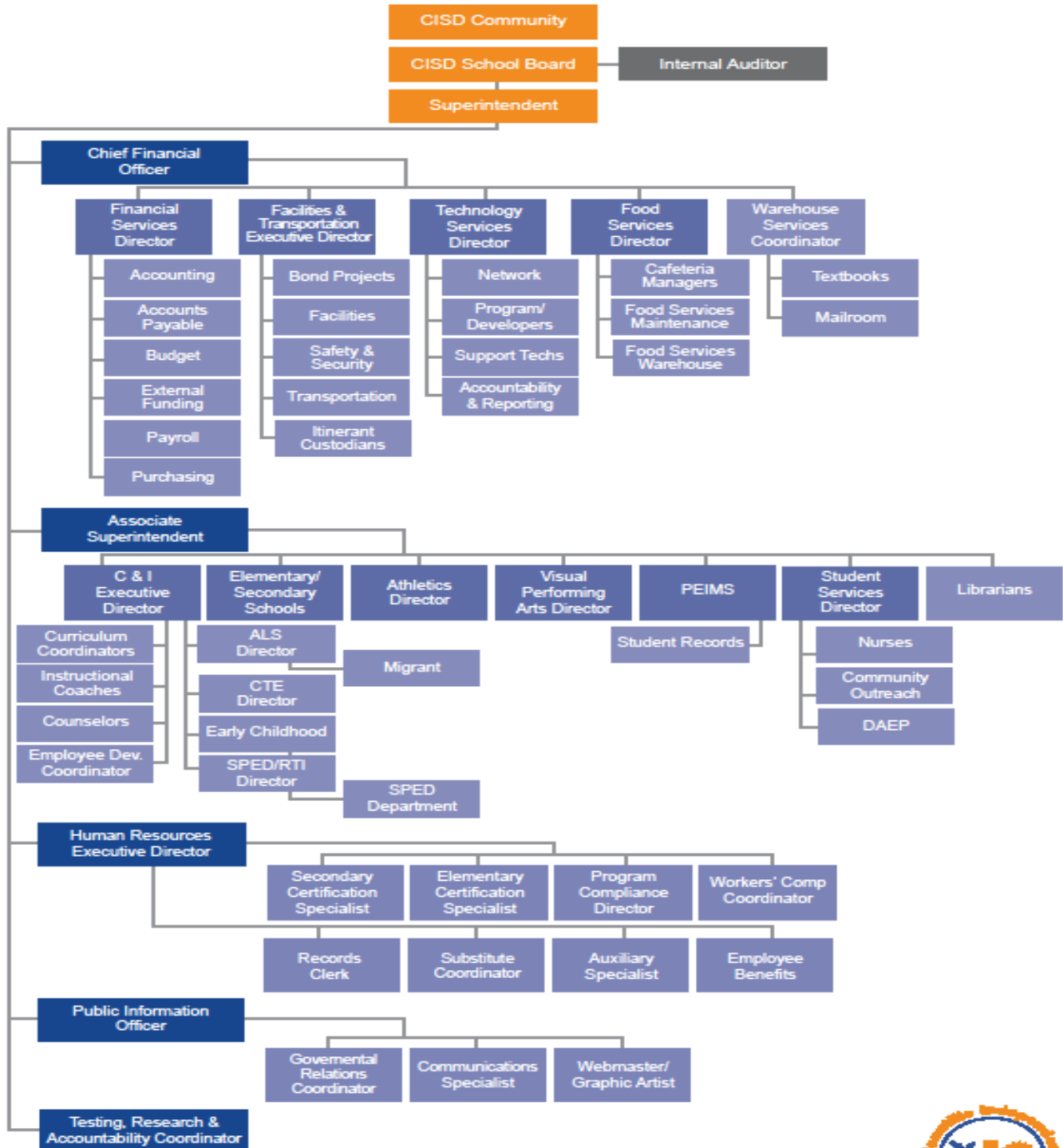
A handwritten signature in black ink, reading 'John D. Musso'.

John D. Musso, CAE  
Executive Director





# Canutillo ISD Organizational Chart



Revised 03-2015



**Canutillo Independent School District**  
Ensuring Through Integrity and Innovation

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2018

Elected and Appointed Officials

**Board of Trustees**

Blanca Trout ..... President  
Stephanie Fietze. .... Vice President  
Mary Yglesias..... Secretary  
Annette Brigham. .... Member  
Sergio Coronado..... Member  
Armando Rodriguez. .... Member  
Laure Searls ..... Member

**Executive Officers**

Dr. Pedro Galaviz... Superintendent  
Dr. Veronica Vijil... Associate Superintendent  
Martha Piekarski..... Chief Financial Officer  
Martha Carrasco... Chief Human Resource Officer  
Liza Rodriguez ..... Public Information Officer  
Marnie Rocha ..... Executive Director  
Bruno Vasquez... Executive Director

**Financial Services**

Cristina Pulley..... Director of Finance  
Elsa Montalvo..... Purchasing Agent  
Luis Guerra..... External Funding Coordinator  
Laura Dorado..... Accountant  
Antonio Cereceres ..... Accountant  
Edgar Hepp..... Accountant

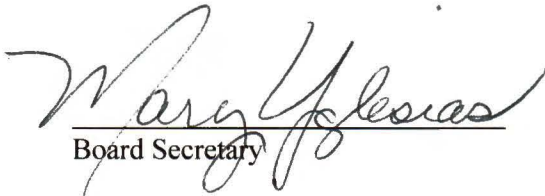
CERTIFICATE OF BOARD

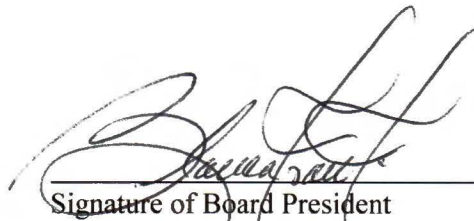
Canutillo Independent School District  
Name of School District

El Paso County  
County

071-907  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial and compliance reports of the above named school district were reviewed and (check one)  approved \_\_\_ disapproved for the year ended June 30, 2018, at a meeting of the board of trustees of such school district on the 13th day of November 2018.

  
Board Secretary

  
Signature of Board President

If the board of trustees disapproved of the independent auditor's report, the reason(s) for disapproving it is(are):

(attach list as necessary)

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## **FINANCIAL SECTION**

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## Independent Auditor's Report

To the Board of Trustees  
Canutillo Independent School District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Canutillo Independent School District (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Canutillo Independent School District, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As described in Note I.E.20 to the financial statements, in 2018, the Canutillo Independent School District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension*. Refer to Note III.J for discussion of the impact on revenues, expenses and net position related to adoption of this statement. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the pension system and other post employment benefits information on pages 31 through 42 and 104 through 113 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The introductory section, combining and individual fund financial statements, required TEA schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.



The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, required TEA schedules, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Gibson Ruddock Patterson, LLC  
El Paso, Texas  
November 7, 2018

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## **MANAGEMENT'S DISCUSSION & ANALYSIS**

## Management's Discussion and Analysis

As management of the Canutillo Independent School District (District), we offer readers of the Canutillo Independent School District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018.

As a requirement implemented in fiscal year 2011, GASB 54 addresses issues related to how fund balance is reported. The purpose of the changes to GASB 54 is to enhance usefulness of fund balance information with clear fund balance classifications. Governmental entities were required to implement Statement 54 no later than the first fiscal year beginning after June 15, 2010. The guidelines require fund balance financial reporting to include detailed classifications that will establish a hierarchy based on the extent to which a governmental entity must observe constraints imposed upon the use of the resources that are reported in the governmental fund balance. The requirement was adopted by the Board of Trustees in Board Policy CE (Local). The classifications are:

- Non-Spendable Fund Balance - The term *nonspendable* identifies the portion of the fund balance that is not in spendable form such as inventories or legally or required by contract for a specific future use such as permanent fund principal.
- Restricted Fund Balance - is a result of two types of restrictions imposed; Imposed by law and/or Imposed by creditors, grantors, contributors, or other governments' laws or regulations. Examples of restricted fund balance are Construction Projects, Retirement of Long-Term Debt, or Federal and state programs.
- Committed Fund Balance - is a result of school board approval in the minutes (formal action) requiring funds to be used only for specific purposes decided by the school board. Committed amounts cannot be used for another purpose unless the school board formally reverses or changes the specific purpose for the funds by approving in the minutes (the same action taken to commit). These commitments are not considered legally enforceable since they can be reversed by the school board. Examples of committed fund balance are as construction, self-insurance, capital expenditures, claims or judgments. The school board must take action to commit funds for a specific purpose prior to the end of the fiscal year, but the amount of the commitment may be determined after the end of the fiscal year.
- Assigned Fund Balance - If the school district intends to use funds for specific purposes, but doesn't restrict or commit them, the funds should be reported as assigned. An assignment doesn't have to be formally approved by the board. Assignment can be made by the school board or a budget/finance committee or official to which the school board has delegated authority.
- Unassigned Fund Balance - Unassigned fund balance is what is left over after the previous four classifications in the general fund have been made. Only the general fund will have unassigned amounts.

### Financial Highlights

- The assets of the Canutillo Independent School District exceeded its liabilities for fiscal year 2018 by \$9,185,161 (net position).
- The District's unrestricted net position reflects a deficit of \$22,959,608 created by a prior period adjustment resulting from the implementation of GASB 75 in the current fiscal year. This resulted in the District's total net position decreasing by \$23,314,845 for fiscal year 2018.
- The Canutillo Independent School District's total liabilities increased by \$9,885,942.
- At the end of the fiscal year, the Canutillo Independent School District's governmental funds reported combined ending fund balances of \$24,037,881, an increase of \$3,199,548 from the prior fiscal year. This is a result of the following: an increase of \$3,158,161 in the general fund, an increase of \$887,067 in the debt service fund, a decrease of \$845,680 in the other funds.
- At the end of the fiscal year, the unassigned fund balance for the general fund was \$14,017,009, in increase of \$2,599,840 from prior fiscal year.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Canutillo Independent School District's basic financial statements. The Canutillo Independent School District's basic financial statements are comprised of three components: 1) governmental-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

### *Government-wide financial statements*

The *government-wide financial statements* are designed to provide readers with a broad overview of the Canutillo Independent School District's finances, in a manner similar to that of a private sector business.

The *statement of net position* presents information on all the Canutillo Independent School District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the *statement of net position* and the *statement of activities* distinguish functions of the Canutillo Independent School District that are primarily supported by property taxes and federal and state revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through fees and charges. The governmental activities of the Canutillo Independent School District included education, bus transportation, food service, and community service. The District does not have any business-type activities.

The government-wide financial statements can be found on pages 44-45 of this report.

### *Fund Financial Statements*

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Canutillo Independent School District, like other school districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Canutillo Independent School District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### *Government Funds*

*Government funds* are used to account for essentially the same functions reported as *government activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in the fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The governmental fund financial statements can be found on pages 48-52 of this report. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balance for the general fund and debt service fund. These two funds are considered major funds. The other funds column presented in the governmental fund financial statement is composed of the non-major special revenue funds and non-major capital projects funds. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* and can be found on page 118-125 in this report.

The Canutillo Independent School District adopts an annual appropriated budget for its general fund, food service and debt service fund. A budgetary comparison statement has been provided for all three major funds to demonstrate compliance with this budget.

#### *Proprietary Funds*

The Canutillo Independent School District maintains a proprietary fund type which is made up of one internal service funds. The internal service fund is an accounting device used to accumulate and allocate costs internally among the District's partially self-funded health care fund. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements. The proprietary fund financial statements can be found on pages 54-56 of this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the District's health care fund.

#### *Fiduciary Funds*

Fiduciary funds are used to account for resources held in trust for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Canutillo Independent School District's own programs. The fiduciary fund financial statements can be found on page 58 of this report.

#### *Notes to the Financial Statements*

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 59-104 of this report.

### **Government-wide Financial Analysis**

In fiscal year 2018, the District adopted the Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – which superseded GASB Statement No. 45. Statement No. 75 establishes financial reporting standards and/or accounting standards for state and local government defined other postemployment benefit (OPEB) plans and defined contribution OPEB plans. Statement No. 75 requires that, at transition, a government recognizes a beginning deferred outflow of resources for its OPEB contributions, if any, made subsequent to the measurement date of the beginning net OPEB liability. The effects of the adoption of this statement have no impact on the District's governmental fund financial statements. However, adoption has resulted in certain changes to the presentation of the District's government-wide financial statements. More information on the adoption of this statement and the District's OPEB plan is available in Note III.Y and Note III.J.

#### *Statement of Net Position*

As noted before, net assets may serve over time as a useful indicator of a district's financial position. In the case of the Canutillo Independent School District, assets exceeded liabilities by \$9,185,161 at the end of the fiscal year.

A review of Canutillo Independent School District's Statement of Net Position shows that the largest portion of assets 78% is its investment and pending investment (restriction for capital projects) of capital assets (e.g., land, buildings, machinery, and equipment). The Canutillo Independent School District uses these capital assets to educate the children of Canutillo, Texas; therefore, these assets are not available for future spending. Although the Canutillo Independent School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Among the District's assets, cash and cash equivalents represent 13.6% of total assets. The Canutillo Independent School District's net position is listed below:

### Canutillo Independent School District's Net Position

	Governmental Activities		
	June 30, 2018	June 30, 2017	Increase (Decrease)
Current and Other Assets	\$ 36,363,599	\$ 33,198,464	\$ 3,165,135
Capital Assets	126,703,561	131,338,898	(4,635,337)
Total Assets	163,067,160	164,537,362	(1,470,202)
Deferred Outflows of Resources	6,424,091	8,421,614	(1,997,523)
Current Liabilities	9,466,328	12,402,938	(2,936,610)
Long Term Liabilities:			-
Due Within One Year	4,209,443	4,266,524	(57,081)
Due in More Than One Year	101,952,554	107,837,636	(5,885,082)
Net Pension Liability (District's Share)	11,505,183	13,973,238	(2,468,055)
Net OPEB Liability (District's Share)	21,232,770	-	21,232,770
Total Liabilities	148,366,278	138,480,336	9,885,942
Deferred Inflows of Resources	11,939,812	1,978,634	9,961,178
Net Position:			
Net Investment in Capital Assets	26,953,689	22,668,689	4,285,000
Restricted for Federal & State Programs	1,093,755	952,037	141,718
Restricted for Debt Service	4,097,325	4,367,300	(269,975)
Unrestricted	(22,959,608)	4,511,980	(27,471,588)
Total Net Position	\$ 9,185,161	\$ 32,500,006	\$ (23,314,845)

A portion of the Canutillo Independent School District's net position is subject to external restrictions regarding how it may be used. These restrictions pertain to federal and state programs, \$1,093,755 and debt service, \$4,097,325. Unrestricted net position reflects a deficit of (\$22,959,608) created by a prior period adjustment resulting from the implementation of GASB 75 in the current fiscal year for OPEB. Although the District reports a deficit, the deficit is primarily due to reporting the District's proportionate share of the net OPEB liability. The total district liability is reported in the governmental activities; however, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since the TRS-Care plan is funded on a pay-as-you-go basis. The District has made all contractually required contributions as noted in the required supplementary information and has sufficient fund balance to meet the District's ongoing obligations to students and creditors.

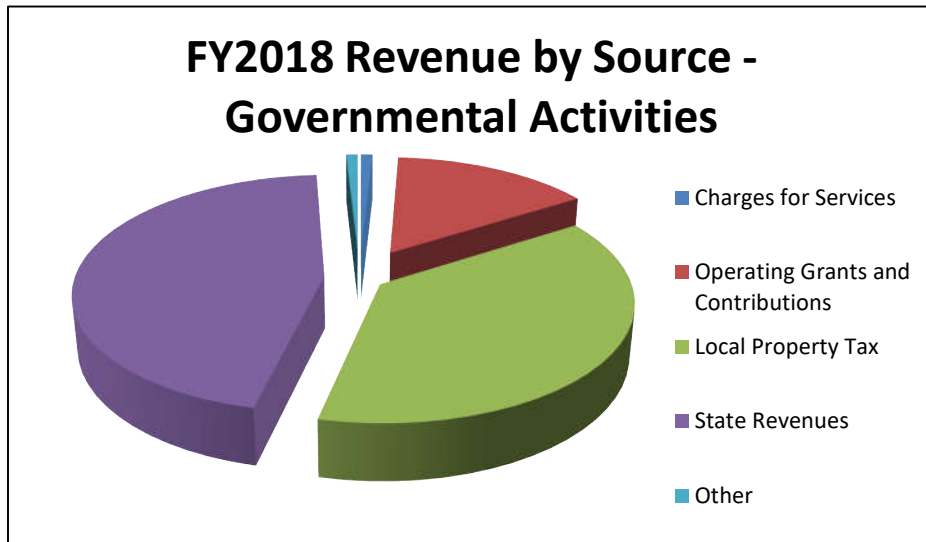
Another important consideration is the District's liquidity, that is, its ability to convert assets into cash to pay for obligations and commitments. With current assets representing 22.3% of total assets, the District's current ratio is 3.84, indicating a liquid position.

*Statement of Activities*

Governmental activities increased the Canutillo Independent School District's net position by \$10,556,065. However, ending net position was reduced by \$33,870,910 due to a prior period adjustment due to the implementation of GASB 75.

Below is a chart illustrating the revenue sources by category for governmental activities. Following the chart is a schedule reflecting the major elements of the District's governmental activities that contributed to the increase in the change in net position.

<b>Revenue by Source - Governmental Activities</b>		
Charges for Services	\$ 206,735	0.32%
Operating Grants and Contributions	2,545,320	3.96%
Local Property Tax	30,436,333	47.30%
State Revenues	30,602,475	47.56%
Other	557,340	0.87%
<b>Total</b>	<b>\$ 64,348,203</b>	<b>100.00%</b>





Governmental Activities

	June 30, 2018	June 30, 2017	Increase (Decrease)
<b>Revenues:</b>			
<i>Program Revenues:</i>			
Charges for Services	\$ 206,735	\$ 825,618	\$ (618,883)
Operating Grants and Contributions	2,545,320	11,285,053	(8,739,733)
<i>General Revenues:</i>			
Local Property Taxes	30,436,333	27,771,801	2,664,532
State Revenues	30,602,475	31,405,563	(803,088)
Other	557,340	1,041,298	(483,958)
<b>Total Revenues</b>	<b>64,348,203</b>	<b>72,329,333</b>	<b>(7,981,130)</b>
<b>Expenses:</b>			
Instruction	26,221,230	37,482,401	(11,261,171)
Instruction Resources & Media Services	784,450	1,095,043	(310,593)
Curriculum & Instructional Staff Development	967,803	1,488,613	(520,810)
Instructional Leadership	771,226	1,184,541	(413,315)
School Leadership	2,501,891	3,676,244	(1,174,353)
Guidance, Counseling & Evaluation Services	1,328,108	2,044,066	(715,958)
Social Work Services	140,521	145,079	(4,558)
Health Services	532,796	803,216	(270,420)
Student (Pupil) Transportation	1,554,675	2,084,676	(530,001)
Food Services	3,959,903	5,644,974	(1,685,071)
Cocurricular Activities	1,330,429	1,735,534	(405,105)
General Administration	2,065,124	2,981,527	(916,403)
Plant, Maintenance & Operations	5,848,792	6,153,931	(305,139)
Security & Monitoring	506,700	455,581	51,119
Data Processing Services	1,451,788	1,753,079	(301,291)
Community Services	399,077	526,044	(126,967)
Debt Service-Interest on Long Term Debt	3,045,369	4,037,339	(991,970)
Debt Service-Bond Issuance Costs & Fees	3,078	223,610	(220,532)
Other Governmental Charges	379,178	376,335	2,843
<b>Total Expenses</b>	<b>53,792,138</b>	<b>73,891,833</b>	<b>(20,099,695)</b>
Changes in Net Position	10,556,065	(1,562,500)	12,118,565
Beginning Net Position	32,500,006	34,062,506	(1,562,500)
Prior Period Adjustment	(33,870,910)	-	(33,870,910)
<b>Ending Net Position</b>	<b>\$ 9,185,161</b>	<b>\$ 32,500,006</b>	<b>\$ (23,314,845)</b>

**General Fund Budgetary Highlights**

The Board of the Canutillo Independent School District originally adopted a balanced budget in the general fund of \$59,101,482 on June 27, 2017 for the fiscal year. The final amended budget was increased to \$61,655,396, a variance of \$2,553,914, which was attributed to an increase in certified property values and an increase in student enrollment than projected. The budget to actual results in general fund included a positive variance in revenues of \$1.7 million, primarily due to increased property tax collections, additional state funding and an increase in revenues from SHARS and the Child Nutrition Program. General Fund expenditure budget to actual results also included a positive variance of \$1.5 million, primarily due to lapse salaries, reimbursement of E-Rate expenditures and a reduction of operating expenditures in the Child Nutrition Program.

**Capital Asset and Debt Administration**

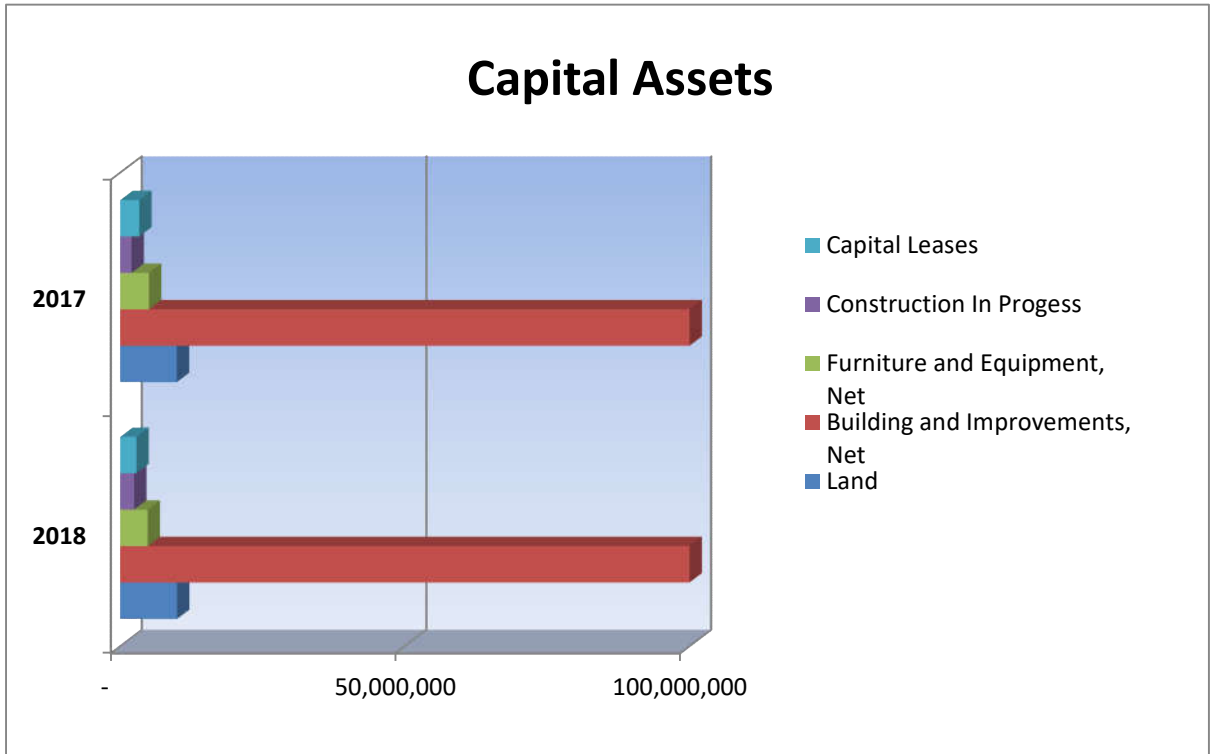
Capital Assets

The Canutillo Independent School District’s investment in capital assets as of June 30, 2018, was \$126,703,561 net of accumulated depreciation, an decrease of \$4,635,337 in capital assets. These assets include land, buildings, furniture and equipment, and construction in progress. The District had capital asset additions in the amount of \$937,480, capital asset retirements of \$134,673; the depreciation expense for all assets was \$5,548,722. The additions to the District’s capital asset inventory consisted mainly of construction work in progress and furniture and equipment. The total decrease in the District’s capital assets for the year was 4% (net of accumulated depreciation).

**Canutillo Independent School District's Capital Assets**  
(net of depreciation)

	Governmental Activities		
	06/30/18	06/30/17	(Decrease)
Land	9,992,880	9,955,980	36,900
Building and Improvements, Net	106,546,924	110,955,785	(4,408,861)
Furniture, Equipment and Vehicles, Net	4,840,813	5,060,936	(220,123)
Construction in Progress	2,463,535	2,005,147	458,388
Leased Property Under Capital Leases, Net	2,859,409	3,361,050	(501,641)
<b>Total Capital Assets</b>	<b>126,703,561</b>	<b>131,338,898</b>	<b>(4,635,337)</b>

A bar chart illustrating the District’s capital assets is shown below.



Additional detailed information about the District’s capital assets activity is presented in Note III.C of the Notes to the Financial Statements.

Long-Term Debt

At fiscal year ending June 30, 2018, the District’s future bond debt payments are \$137,137,307 of which \$93,555,000 attributable to principal and \$43,582,307 to interest. A comparison of the changes in bonded debt (principal only) is listed below.

	Governmental Activities				
	Beginning Balance 07-01-17	Additions	Reductions	Ending Balance 06-30-18	Due Within One Year
<u>Bonds Payable:</u>					
Building and Refunding	96,045,054		2,490,054	93,555,000	3,160,000
<b>Total Bonds Payable</b>	<b>96,045,054</b>	<b>-</b>	<b>2,490,054</b>	<b>93,555,000</b>	<b>3,160,000</b>

Debt service requirements are normally due in February (Interest) and August (Principal) of every year. For the period ending June 30, 2018, the bond debt payments made was in the amount of \$6,841,059. The principal portion paid for year was \$2,490,054 and interest paid was \$4,351,005.

Additional information on the Canutillo Independent School District's long-term debt can be found in note III, item E on page 39 of this report.

### **Financial Analysis of the Government's Funds**

The focus of the Canutillo Independent School District's governmental funds is to provide information on near-terms, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the fiscal year, the combined ending fund balances for governmental funds for the Canutillo Independent School District was \$24,037,881. This is an increase of \$3,199,548 from the prior year. The increase can be attributed to the following: an increase of \$3,158,161 in the general fund, an increase of \$887,067 in the debt service fund, a decrease of \$845,680 in the non-major capital projects funds and special revenue funds.

The change in the general fund is due primarily to an increase in property tax revenues of \$1.5M as a result of increasing property values and an increase in state funding of \$1.6M due to increased enrollment. In addition, the general fund had expenditure increases in payroll of \$1.2 million, due to a 2% raise and additional personnel. The child nutrition program was under new management for the fiscal year and resulted in an increase in revenues of \$371,272 and decrease in expenditures of \$700,026 in comparison with the prior fiscal year.

The change in the debt service fund is due primarily to an increase in property tax revenues of \$504,495, a decrease in state funding, \$165,594 as well as decreased debt service payments of \$319,251.

The change in the non-major capital projects funds and special revenue funds is due primarily to a decrease in state and federal grant revenues of \$638,826.

The unassigned fund balance for the governmental funds has increased to \$14,017,009 from \$11,417,169. The remaining amounts have been classified for the following purposes:

#### **nonspendable fund balance**

- invested in inventory - \$353,680
- prepaid items - \$47,377

#### **restricted fund balance**

- for capital acquisition and contractual obligations - \$3,007,237
- for Food Service/Federal or State Funds Restrictions - \$1,093,755
- to retire long-term debt - \$5,170,823

#### **committed fund balance**

- for other committed fund balance - \$0

#### **assigned fund balance**

- capital expenditures and equipment - \$98,000
- other assigned - \$250,000

The general fund is the chief operating fund of the District. At the end of the fiscal year, the total fund balance in the general fund was \$15,740,970.

To maintain the District in a strong financial position, the goal of the Board shall be to maintain the fund balances of the general and debt service funds at an adequate level. Per Board Policy CE (Local), the level of fund balance shall protect the District against potential revenue shortfalls and shall provide operating funds until tax revenues are received. The level of adequacy in the general fund shall not be less than two months of operating expenditures per Board Policy CE (Local). This is included in unassigned fund balance as no specific purpose has been associated with this reserve. With respect to debt service, the minimum threshold is 15% of debt service requirements. The District was in compliance with these requirements in fiscal year 2018.

### **Financial Analysis of the Proprietary Funds**

As of June 30, 2018, the District's health care fund had a net position of \$2,719,210, an increase of \$2,374,882 from the prior year. A significant portion of this change was due to primarily to a prior period adjustment of \$1,785,134 that resulted from the recalculation of incurred claims.

### **Economic Factors and Next Year's Budgets and Rates**

Assessed taxable property values and average daily attendance are the two driving forces that generate revenues for school districts. The 2018-2019 budget was adopted with a Maintenance & Operations (M&O) tax rate of \$1.17 and an Interest & Sinking (I&S) tax rate of \$0.3600. The District's preliminary assessed taxable property value was \$2,346,168,956, an increase of \$249,716,219 over the previous year's preliminary values.

Revenue was estimated using 95% student average daily attendance and an estimated 5.5% decrease from preliminary tax levy value. Salary increases were provided at 2% and campus budgets included additional allocations for textbooks, student laptops and the Princeton Review.

On a separate note, the State of Texas has incorporated a financial accountability rating system for school districts titled the Financial Integrity Rating System of Texas (FIRST). The purpose of the rating system is to achieve quality performance in the financial management of school districts. The ratings issued as of the date of this report are based on data from fiscal and school year 2016-2017 and include 15 indicators.

This is a goal made more significant due to the complexity of the accounting associated with the Texas' school finance system. The rating system was developed by TEA as a response to Senate Bill 875 of the 76<sup>th</sup> Texas Legislature in 1999. The scores are based on analysis of staff and student data, as well as budgetary and actual financial data.

Due to time lags in receiving and analyzing the required data, the FIRST rating is always a year behind. The data received and presented in the fall of 2018 covers the 2017 fiscal year. The Canutillo Independent School District received a score of 86 points for an "Above Standard" rating.

The indicators for which the District did not receive the maximum score are as follows:

- Indicator Six – The District's number of days of cash on hand and current investments in the general fund to cover operating expenditures was 73.9701 days, to obtain the maximum points, the number of days should be equal to or greater than 90 days. The indicator was worth six points.
- Indicator Seven – The District's measure of current assets to current liabilities ratio was 1.9916, to obtain the maximum points this ratio should be equal to or greater than 3. The indicator was worth four points.
- Indicator Eight – The District's ratio of long-term liabilities to total assets was .6554, to obtain the maximum points this ratio should be less than .60. The indicator was worth 8 points.

- Indicator Eleven – The administrative cost ratio was less than the threshold ratio. The standard ratio for school districts with average daily attendance of 5,000 to 9,999 must be 10.0% or less to obtain the maximum points. The District’s administrative cost ratio was calculated at 11.14%. The indicator was worth eight points.

Additional information is available on Texas Education Agency’s website.

### **Contacting the District’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the funds it receives. If you have questions about this report or need additional information, contact the District’s Financial Services Division, at the Canutillo Independent School District, 7965 Arcraft Road, El Paso, Texas, 79932.

## **BASIC FINANCIAL STATEMENTS**

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 22,162,322
1220 Property Taxes Receivable (Delinquent)	2,096,297
1230 Allowance for Uncollectible Taxes	(419,259)
1240 Due from Other Governments	11,977,654
1290 Other Receivables, net	59,258
1300 Inventories	376,807
1410 Prepayments	110,520
Capital Assets:	
1510 Land	9,992,880
1520 Buildings, Net	106,546,924
1530 Furniture and Equipment, Net	1,705,182
1540 Other Capital Assets, Net	3,135,631
1550 Leased Property Under Capital Leases, Net	2,859,409
1580 Construction in Progress	2,463,535
1000 Total Assets	163,067,160
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge for Refunding	2,603,636
1703 Deferred Outflow Related to TRS OPEB	284,950
1705 Deferred Outflow Related to TRS Pension	3,535,505
1700 Total Deferred Outflows of Resources	6,424,091
<b>LIABILITIES</b>	
2110 Accounts Payable	1,198,308
2140 Interest Payable	1,431,102
2150 Payroll Deductions & Withholdings	502,704
2160 Accrued Wages Payable	5,143,155
2177 Due to External Parties	503,466
2200 Accrued Expenses	618,023
2300 Unearned Revenue	69,570
Noncurrent Liabilities:	
2501 Due Within One Year	4,209,443
2502 Due in More Than One Year	101,952,554
2540 Net Pension Liability (District's Share)	11,505,183
2545 Net OPEB Liability (District's Share)	21,232,770
2000 Total Liabilities	148,366,278
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2602 Deferred Gain on Refunding	377,444
2603 Deferred Inflow Related to TRS OPEB	8,881,708
2605 Deferred Inflow Related to TRS Pension	2,680,660
2600 Total Deferred Inflows of Resources	11,939,812
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	26,953,689
3820 Restricted for Federal and State Programs	1,093,755
3850 Restricted for Debt Service	4,097,325
3900 Unrestricted	(22,959,608)
3000 Total Net Position	\$ 9,185,161

The notes to the financial statements are an integral part of this statement.



CANUTILLO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT B-1

Data	Program Revenues			Net (Expense)
Control	1	3	4	6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position  Primary Gov. Governmental Activities

**Primary Government:**

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 26,221,230	\$ 16,366	\$ (3,103,550)	\$ (29,308,414)
12 Instructional Resources and Media Services	784,450	-	121,949	(662,501)
13 Curriculum and Staff Development	967,803	-	876,668	(91,135)
21 Instructional Leadership	771,226	-	111,213	(660,013)
23 School Leadership	2,501,891	-	(621,143)	(3,123,034)
31 Guidance, Counseling and Evaluation Services	1,328,108	-	(221,292)	(1,549,400)
32 Social Work Services	140,521	-	-	(140,521)
33 Health Services	532,796	-	672,334	139,538
34 Student (Pupil) Transportation	1,554,675	-	(303,439)	(1,858,114)
35 Food Services	3,959,903	93,487	5,230,002	1,363,586
36 Extracurricular Activities	1,330,429	37,742	(170,656)	(1,463,343)
41 General Administration	2,065,124	59,140	(287,466)	(2,293,450)
51 Facilities Maintenance and Operations	5,848,792	-	(508,392)	(6,357,184)
52 Security and Monitoring Services	506,700	-	(51,233)	(557,933)
53 Data Processing Services	1,451,788	-	(214,952)	(1,666,740)
61 Community Services	399,077	-	389,916	(9,161)
72 Interest and Fees on Long Term Debt	3,045,369	-	625,361	(2,420,008)
73 Debt Service - Bond Issuance Cost and Fees	3,078	-	-	(3,078)
99 Tax Appraisal Charges	379,178	-	-	(379,178)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 53,792,138	\$ 206,735	\$ 2,545,320	\$ (51,040,083)

Data  
Control  
Codes

General Revenues:

Taxes:		
MT	Property Taxes, Levied for General Purposes	23,357,478
DT	Property Taxes, Levied for Debt Service	7,078,855
SF	State Aid - Formula Grants	30,602,475
IE	Investment Earnings	255,799
MI	Miscellaneous Local and Intermediate Revenue	301,541
TR	Total General Revenues	61,596,148
CN	Change in Net Position	10,556,065
NB	Net Position - Beginning	32,500,006
PA	Prior Period Adjustment	(33,870,910)
NE	Net Position--Ending	\$ 9,185,161

The notes to the financial statements are an integral part of this statement.

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**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 10,709,738	\$ 4,981,325	\$ 3,315,616	\$ 19,006,679
1220 Property Taxes - Delinquent	1,603,051	493,246	-	2,096,297
1230 Allowance for Uncollectible Taxes (Credit)	(320,610)	(98,649)	-	(419,259)
1240 Receivables from Other Governments	10,476,255	320,577	1,180,822	11,977,654
1260 Due from Other Funds	1,322,044	-	230,125	1,552,169
1290 Other Receivables	42,322	9,528	7,408	59,258
1300 Inventories	376,807	-	-	376,807
1410 Prepayments	47,377	-	-	47,377
1000 Total Assets	<u>\$ 24,256,984</u>	<u>\$ 5,706,027</u>	<u>\$ 4,733,971</u>	<u>\$ 34,696,982</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 868,786	\$ -	\$ 92,488	\$ 961,274
2150 Payroll Deductions and Withholdings Payable	502,704	-	-	502,704
2160 Accrued Wages Payable	4,818,647	-	324,508	5,143,155
2170 Due to Other Funds	1,152,215	177,600	1,144,444	2,474,259
2300 Unearned Revenues	23,127	-	46,443	69,570
2000 Total Liabilities	<u>7,365,479</u>	<u>177,600</u>	<u>1,607,883</u>	<u>9,150,962</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	1,150,535	357,604	-	1,508,139
2600 Total Deferred Inflows of Resources	<u>1,150,535</u>	<u>357,604</u>	<u>-</u>	<u>1,508,139</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410 Inventories	353,680	-	-	353,680
3430 Prepaid Items	47,377	-	-	47,377
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	974,904	-	118,851	1,093,755
3470 Capital Acquisition and Contractual Obligation	-	-	3,007,237	3,007,237
3480 Retirement of Long-Term Debt	-	5,170,823	-	5,170,823
Assigned Fund Balance:				
3570 Capital Expenditures for Equipment	98,000	-	-	98,000
3590 Other Assigned Fund Balance	250,000	-	-	250,000
3600 Unassigned Fund Balance	14,017,009	-	-	14,017,009
3000 Total Fund Balances	<u>15,740,970</u>	<u>5,170,823</u>	<u>3,126,088</u>	<u>24,037,881</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 24,256,984</u>	<u>\$ 5,706,027</u>	<u>\$ 4,733,971</u>	<u>\$ 34,696,982</u>

The notes to the financial statements are an integral part of this statement.

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2018

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	24,037,881
1 Amounts reported for the governmental activities in the statement of net position are different due to the following:		-
2 Capital assets of \$184,387,855 net of accumulated depreciation of (\$57,684,294) are not financial resources, and therefore, are not reported as assets in governmental funds.		126,703,561
3 Property taxes are not available to pay for the current period's expenditures and therefore are deferred in the funds.		1,508,139
4 Internal service funds are used by the District's management to charge the costs of health insurance activities to the other funds. The assets and liabilities of the internal service funds are included in governmental activities.		2,719,210
5 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(106,161,997)
- Bonds payable (\$93,555,000)		
- Premiums on bonds payable (\$8,000,705)		
- Capital leases (\$3,805,040)		
- Compensated Absences payable (\$801,252)		
6 Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		(1,431,102)
7 Deferred gains and losses on the refunding of bonds are not reported in the funds but are considered deferred inflows and outflows in the statement of net position. The deferred charge for refunding is \$2,603,636 as of June 30, 2018, and the deferred gain on refunding is (\$377,444) as of June 30, 2018.		2,226,192
8 Included in the items related to debt is the recognition of the District's proportionate share of pension liability required by GASB 68:		(10,650,338)
- Net pension liability (\$11,505,183)		
- Deferred outflow related to TRS pension \$3,535,505		
- Deferred inflow related to TRS pension (\$2,680,660)		
9 Included in the items related to debt is the recognition of the District's proportionate share of the OPEB liability required by GASB 75:		(29,829,528)
- Net OPEB liability (\$21,232,770)		
- Deferred outflow related to TRS OPEB \$284,950		
- Deferred inflow related to TRS OPEB (\$8,881,708)		
10 Prepaid insurance amortization is not reported in the fund financial statements but is reported as part of the Statement of Net Position.		63,143
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>9,185,161</b>

The notes to the financial statements are an integral part of this statement.

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 23,865,574	\$ 7,270,183	\$ 91,559	\$ 31,227,316
5800 State Program Revenues	33,251,472	625,361	148,239	34,025,072
5900 Federal Program Revenues	6,210,272	-	3,702,352	9,912,624
5020 Total Revenues	<u>63,327,318</u>	<u>7,895,544</u>	<u>3,942,150</u>	<u>75,165,012</u>
EXPENDITURES:				
Current:				
0011 Instruction	31,689,219	-	2,141,977	33,831,196
0012 Instructional Resources and Media Services	712,415	-	241,632	954,047
0013 Curriculum and Instructional Staff Development	474,739	-	919,438	1,394,177
0021 Instructional Leadership	902,705	-	261,854	1,164,559
0023 School Leadership	3,679,147	-	37,801	3,716,948
0031 Guidance, Counseling and Evaluation Services	1,921,683	-	76,647	1,998,330
0032 Social Work Services	158,593	-	-	158,593
0033 Health Services	821,252	-	-	821,252
0034 Student (Pupil) Transportation	1,893,399	-	-	1,893,399
0035 Food Services	4,339,717	-	48,529	4,388,246
0036 Extracurricular Activities	1,517,041	-	33,985	1,551,026
0041 General Administration	2,931,415	-	-	2,931,415
0051 Facilities Maintenance and Operations	6,032,143	-	21,108	6,053,251
0052 Security and Monitoring Services	601,348	-	-	601,348
0053 Data Processing Services	1,666,143	-	324,263	1,990,406
0061 Community Services	26,678	-	392,622	419,300
Debt Service:				
0071 Principal on Long Term Debt	280,602	2,490,054	-	2,770,656
0072 Interest on Long Term Debt	104,841	4,351,004	-	4,455,845
0073 Bond Issuance Cost and Fees	-	3,078	-	3,078
Capital Outlay:				
0081 Facilities Acquisition and Construction	36,899	-	287,974	324,873
Intergovernmental:				
0099 Other Intergovernmental Charges	379,178	-	-	379,178
6030 Total Expenditures	<u>60,169,157</u>	<u>6,844,136</u>	<u>4,787,830</u>	<u>71,801,123</u>
1200 Net Change in Fund Balances	3,158,161	1,051,408	(845,680)	3,363,889
0100 Fund Balance - July 1 (Beginning)	12,582,809	4,283,756	3,971,768	20,838,333
1300 Increase (Decrease) in Fund Balance	-	(164,341)	-	(164,341)
3000 Fund Balance - June 30 (Ending)	<u>\$ 15,740,970</u>	<u>\$ 5,170,823</u>	<u>\$ 3,126,088</u>	<u>\$ 24,037,881</u>

The notes to the financial statements are an integral part of this statement.

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	3,363,889
Amounts reported for governmental activities in the statement of activities are different due to the following:		-
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of assets is allocated over their estimated useful lives as depreciation expense. Thus the cost of current year outlays is removed from expense and depreciation is added to expense.		(4,635,337)
- Additions to land \$36,900		
- Additions to buildings and improvements \$62,308		
- Additions to furniture and equipment \$227,140		
- Additions to vehicles \$134,092		
- Additions to construction in progress \$477,040		
- Disposal of assets (\$24,095)		
- Depreciation expense (\$5,548,722)		
Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Proceeds from the sale of bonds is a source of financing in the governmental funds, but the statement of net position recognizes it as an increase in the long-term liabilities. The changes in long term liabilities for the fiscal year consisted of the following:		3,861,875
- Net change in bonds payable \$2,490,054		
- Net change in accretion payable \$535,639		
- Net change in premium of bonds payable \$607,268		
- Net change in capital lease payable \$280,602		
- Net change in accumulated leave benefits (\$52,133)		
- Net change in arbitrage payable \$445		
Deferred inflows and outflows of gains and losses on debt refundings are amortized over the term of the bonds in the statements but are expenses in the year incurred in governmental funds.		(158,210)
- Net deferred charge for refunding (\$204,612)		
- Net deferred inflow gain on refunding \$46,402		
Property taxes that will not be collected until after the District's fiscal year end are not considered "available" revenues and are deferred in the governmental funds. The change in deferred tax revenues, net of allowances for bad debt, are recognized in the statement of activities.		38,838
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus, requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.		425,334
Prepaid insurance amortization is not reported in the fund financial statements. The net change in prepaid insurance is reported in the statement of activities.		63,143
Internal service funds are used by management to charge the cost of health insurance to individual funds. The net revenue (expense) of the internal service funds is reported		589,748

The notes to the financial statements are an integral part of this statement.

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

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EXHIBIT C-4

with governmental activities.

GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$1,026,040. (435,692)

Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling (\$1,202,551). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by (\$259,181). The net result is a decrease in the change in net position.

GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$281,628. 7,442,477

Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling (\$213,378). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The negative net pension expense increased the change in net position \$7,374,227. The net result is an increase in the change in net position.

**Change in Net Position of Governmental Activities**

\$ 10,556,065



**PROPRIETARY FUND FINANCIAL STATEMENTS**

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 3,155,643
Due from Other Funds	<u>418,624</u>
Total Assets	<u>3,574,267</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	237,034
Accrued Expenses	<u>618,023</u>
Total Liabilities	<u>855,057</u>
NET POSITION	
Unrestricted Net Position	<u>2,719,210</u>
Total Net Position	<u><u>\$ 2,719,210</u></u>

The notes to the financial statements are an integral part of this statement.

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 8,036,045
Total Operating Revenues	8,036,045
OPERATING EXPENSES:	
Professional and Contracted Services	41,431
Claims and Other Operating Costs	7,404,866
Total Operating Expenses	7,446,297
Operating Income	589,748
Total Net Position - July 1 (Beginning)	344,328
Prior Period Adjustment	1,785,134
Total Net Position - June 30 (Ending)	\$ 2,719,210

The notes to the financial statements are an integral part of this statement.

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Assessments - Other Funds	\$ 8,016,926
Cash Payments for Insurance Claims	(7,056,934)
Net Cash Provided by Operating Activities	959,992
Net Increase in Cash and Cash Equivalents	959,992
Cash and Cash Equivalents at Beginning of Year	2,195,651
Cash and Cash Equivalents at End of Year	\$ 3,155,643
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 589,748
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(19,119)
Increase (decrease) in Accounts Payable	58,272
Increase (decrease) in Accrued Expenses	331,091
Net Cash Provided by Operating Activities	\$ 959,992

The notes to the financial statements are an integral part of this statement.

**FIDUCIARY FUND FINANCIAL STATEMENTS**

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 FIDUCIARY FUNDS  
 JUNE 30, 2018

	Agency Fund
<hr/>	
ASSETS	
Due from Other Funds	\$ 503,466
Other Receivables	1,270
Total Assets	<u>\$ 504,736</u>
LIABILITIES	
Accounts Payable	\$ 40,625
Due to Student Groups	464,111
Total Liabilities	<u>\$ 504,736</u>

The notes to the financial statements are an integral part of this statement.

# CANUTILLO INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Canutillo Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

#### A. Reporting Entity

The Board of Trustees (the "Board") is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. The Board also has primary accountability for fiscal matters; therefore, the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB").

In accordance with Governmental Accounting Standard Board, a financial reporting entity consists of the primary government and its component units. Component units are legally separate organizations for which the elected officials of the District are financially accountable, or for which the relationship to the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. Discretely presented component units are reported in a separate column in the basic financial statements to emphasize they are legally separate from the school district. The District's blended component unit, although a legally separate entity, is in substance a part of the District's operations, and so data from this entity is combined with data of the primary government.

The criteria used to determine whether an organization is a component unit of the District includes: financial accountability of the District for the component unit, whether the District appoints a voting majority of the entity's board, the ability to impose the District's will on the component unit, fiscal dependency criterion, if it is a financial benefit or burden to the District, and whether services are provided entirely or almost entirely to the District.

For financial reporting purposes, the Canutillo Independent School District Public Facilities Corporation (PFC) is included as a blended component unit in the operations and activities of the District. The criteria used to include the PFC as a blended component unit of the District include: the District appoints a voting majority of the PFC's governing body, the District is able to impose its will on the PFC, and the PFC serves the District exclusively as a financing vehicle for capital projects.

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Canutillo Independent School District Public Facilities Corporation (PFC)

In 1999, the Board of Trustees adopted a resolution approving the creation of the Canutillo Independent School District Public Facilities Corporation, a nonprofit public corporation, for the purpose of constructing school facilities and leasing those facilities to the District.

As of and for the year June 30, 2018, the PFC was inactive. As such, there is no activity to include in these financial statements.

Canutillo Independent School District Agronomics Center

During the year ended August 31, 2005, the Board of Trustees approved the creation of the Canutillo Independent School District Agronomics Center, a Texas Nonprofit Corporation, for the purpose of developing an Agricultural Science and Research Center. The Agronomics Center was granted tax exempt status from the IRS.

The Agronomics Center is managed by a board of seven directors who are appointed by the Board of Trustees. The Board of Trustees has ultimate control over the Agronomics Center, and may alter the structure, organization, or activities of the corporation at any time. Upon dissolution of the Agronomics Center all remaining assets shall be transferred to the District.

As of and for the year June 30, 2018, the Agronomics Center was inactive. As such, there is no activity to include in these financial statements.

**B. Government-Wide and Fund Financial Statements**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, charges to school districts for services, state funds, grants and other intergovernmental revenues.

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement category represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. For pensions and OPEB, this outflow results from pension plan and OPEB contributions made after the measurement date of the net pension and OPEB liabilities and the results of differences between expected and actual economic experiences. The deferred outflow of resources related to pension and OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension and OPEB liabilities in the next fiscal year. The other pension and OPEB related deferred outflows will be amortized over a systematic and rational method over a closed period.

(Continued)



# CANUTILLO INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement category represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For pensions, these deferred inflow result primarily from differences between projected and actual earnings on pension plan investments. For OPEB, these deferred inflows result primarily from differences between expected and actual experiences as well as changes in actuarial assumptions. These amounts will be amortized over a systematic and rational method over a closed period.

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflow of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. The Plan's fiduciary net position has been determined on the same basis as that used by the Plan. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental and proprietary funds appear as due to or due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as a due to or due from on the government-wide Statement of Net Position.

(Continued)

# CANUTILLO INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fund financial statements reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, deferred outflow or resources, current liabilities, deferred inflow of resources, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues, other than property tax revenues, available if they are collectible within one year after year end.

Revenues from local sources consist primarily of property taxes, services provided to districts and teachers, and investment income. Revenues received from the State are recognized under the susceptible-to-accrual concept, that is, when they are both measurable and available. The District considers property tax revenue available if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Unavailable revenue from property taxes arise only under modified accrual basis of accounting. The governmental funds report this unavailable revenue as deferred inflow of resources, which is recognized revenue in the period that the amounts become available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors may require the District to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into investment in capital assets, restricted, and unrestricted.

**D. Fund Accounting**

The District reports the following major governmental funds:

1. General Fund - The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. Debt Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Additionally, the District reports the following fund types:

Governmental Funds:

1. Special Revenue Funds - The District accounts for resources restricted for specific purposes by a grantor in a special revenue fund. Most Federal and State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. Capital Project Funds - The proceeds from long-term debt financing will be used to construct, renovate, acquire and equip school buildings in the District and pay any associated costs.
3. Permanent Funds - The District has no Permanent Funds.

Proprietary Funds:

4. Enterprise Funds - The District has no Enterprise Funds.
5. Internal Service Funds - These funds are used to account for financing of goods or services provided by one department to other department of the District on a cost-reimbursement basis. The District's Internal Service Fund is the self-insurance fund.

Fiduciary Funds:

6. Private Purpose Trust Funds - The District has no Private Purpose Trust Funds.
7. Pension (and Other Employee Benefit) Trust Funds - The District has no Pension Trust Funds.
8. Investment Trust Fund - The District has no Investment Trust Funds.
9. Agency Funds - The District accounts for resources held for others in a custodial capacity in agency funds. Assets equal liabilities, and this fund does not include measurements or results of operations. The District's Agency Fund is the Student Activity Account.

(Continued)

# CANUTILLO INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### E. Other Accounting Policies

1. For purposes of the statement of cash flows for proprietary funds and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
3. Investments with an original maturity greater than one year from date of purchase are stated at fair value based on quoted market prices as of year end, except for nonparticipating interest-earning investment contracts which are reported at cost. Investments with an original maturity of less than one year are reported at amortized cost.
4. The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.
5. The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. Management asserts that the District is in substantial compliance with the requirements of the Act and with local policies.

(Continued)

CANUTILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

6. Additional policies and contractual provisions governing deposits and investments for the District are specified below:

***Credit Risk:***

Deposits - The District is not exposed to credit risk.

Temporary Investments - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in public funds investment pools to those that have received top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2018, the District's investments in TexPool, TexStar, Logic, TexasTERM, and Texas Class investment pools were rated AAAM by Standard & Poor's. The Lone Star investment pools was rated AAAf by Standard & Poor's.

***Custodial Credit Risk:***

Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a value equaling or exceeding the amount on deposit at the end of each business day. Since the District complies with this law, it has minimal custodial credit risk for deposits.

Temporary Investments - To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. Investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form.

***Concentration of Credit Risk:***

Deposits - The District is not exposed to concentration of credit risk.

Temporary Investments - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District's policy states that the portfolio must be diversified. Concentration of Credit Risk is not applicable to investment pools since the purpose of these pools is to diversify the District's investment portfolio.

(Continued)

CANUTILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Interest Rate Risk:***

Deposits - The District is not exposed to interest rate risk.

Temporary Investments - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires its investment portfolio to have maturities of less than one year on a weighted average maturity (WAM) basis.

***Foreign Currency Risk:***

Deposits - The District attempts to limit the risk that changes in exchange rates will adversely affect a deposit by avoiding deposits denominated in a foreign currency.

Temporary Investments - The District attempts to limit the risk that changes in exchange rates will adversely affect the fair value of an investment by avoiding investment pools or securities which are denominated in a foreign currency.

7. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities which are received at no cost are recorded as revenue and expenditures at market values supplied by the Texas Department of Agriculture when received. At year end, the commodities inventory is recorded to inventory and unearned revenue.

Prepaid items on the balance sheet are accounted for using the consumption method and are recognized as expenditures over the periods in which the service is provided.

8. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type Statement of Net Position. When applicable, premiums and discounts are presented as a component of liabilities while deferred losses on refundings are presented as deferred outflows of resources. Both items are deferred and amortized over the life of the related debt using the straight line method. Long-term debt is reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(Continued)

CANUTILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. The District currently does not have a policy to pay any amounts related to unpaid accumulated sick leave when employees separate from service with the District. However, prior to August 31, 1996, the District did allow up to 80 days of sick leave to be accumulated and paid upon separation from service and the liability recorded relates to those employees that were eligible. All vacation pay is accrued when incurred in the government-wide financial statements.
10. Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value at the date of the receipt.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	3 - 60
Portable buildings	20
Vehicles	20
Other Equipment	10
Computer Equipment	10

11. Net Position on the Statement of Net Position include the following:
- **Net Investment in Capital Assets** - This component of net position consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt will be included in this component of net position.

(Continued)



# CANUTILLO INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Restricted for Federal and State Programs** - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted by federal and state granting agency(s).
  - **Restricted for Debt Service** - This component of net position consists of restricted assets reduced by liabilities and deferred inflow of resources related to those assets. The assets arise from bond issuance which have constraints placed on them by the bond covenant(s) for the purpose of future debt service payments.
  - **Restricted for Campus Activities** - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted transactions related to a principal's activity fund.
  - **Unrestricted Net Position** - This component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.
12. The District reports the following fund balance categories which describe the nature and relative strength of the spending constraints:
- **Nonspendable Fund Balance** - Represents amounts that are not in a spendable form or are legally or contractually required to be maintained intact, such as inventories.
  - **Restricted Fund Balance** - Represents amounts that are restricted to specific purposes, with constraints placed on the use of resources by (a) external creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or (c) enabling legislation.
  - **Committed Fund Balance** - Represents amounts that are restricted for purposes which the Board of Trustees, the District's highest level of decision-making authority, has designated their use. These amounts are committed through a formal resolution, requiring funds to be used only for specific purposes. These amounts can only be re-allocated by the same formal action that was taken to originally commit those amounts. The board of Trustees shall take action to commit funds for a specific purpose prior to the end of the fiscal year.
  - **Assigned fund balance** - Represents amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed. The governing body has delegated authority to the Superintendent or designated managers. Should the Board opt not to commit any fund balances, it will implicitly defer to the designees to make appropriate assignments.

(Continued)

# CANUTILLO INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Unassigned fund balance** - Represents amounts that are available for any purpose and have not been restricted, committed, or assigned for specific purposes. Positive amounts are reported only in the general fund.

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is established by the Superintendent or designated managers through adoption or amendment of the budget as intended for specific purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes of which amounts in any of those unrestricted fund balance classifications could be used, unless the Board of Trustees or designee's have provided otherwise in its commitment or assignment actions.

The level of adequacy for the general fund (unreserved) balance shall not be less than two months of operating expenditures. In addition, the fund balance for the debt service fund shall not be lower than 15 percent of the current year debt service requirements for the debt service fund.

13. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the governmental-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.
14. The District sponsors self-insured plans to provide health care benefits to employees and their dependents. Revenues of this Internal Service Fund are received from both the District's governmental funds and premiums charged to employees. Expenses are comprised of claims incurred during the fiscal year, professional and contracted services and other miscellaneous expenses.

The General Fund is contingently liable for liabilities of this fund.

15. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a Statewide data base for policy development and funding plans.

(Continued)

CANUTILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

16. The District receives substantial amounts of funding from special revenue sources. The majority of this money is cost reimbursement to the District by the federal government or Texas Education Agency. The portion of revenue allowable for indirect cost is credited as revenue to the General Fund and as a reduction to revenue in the Special Revenue Fund, as appropriate. The indirect cost revenue is fully allocated to function 41 in the Statement of Activities as operating grants and contributions.
17. In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the Texas State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Resource Guide. Mandatory codes are recorded in the order provided in the Resource Guide.
18. Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.
19. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.
20. The District has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. As a result, the District's financial statements as of June 30, 2018 are presented in accordance with the guidance provided by this statement. See Notes III. J, Defined Other Posts Employment Benefit Plan, and III. Y, Prior Period Adjustments, for more information regarding implementation of this new pronouncement.

The District also implemented GASB Statement No. 85 *Omnibus 2017*, which addresses certain issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post employment benefits. The District's financial statements as of June 30, 2018, are presented in accordance with the guidance provided by this Statement.

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, and the District's proportionate share of the net pension and OPEB liabilities are not due and payable in the current period and are not reported as liabilities in the funds.

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position.

Other elements of the reconciliation on the Exhibit C-4 include recognizing property tax revenue considered available, recognizing accruals of interest on long-term debt and recognizing internal service fund activity. In addition, certain pension and OPEB expenditures are de-expended and the District recorded its proportionate share of the pension and OPEB expense. These adjustments are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting.

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Deposits and Investments**

At June 30, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts including fiduciary funds cash and internal service funds cash) was \$22,162,322 and the bank balance was \$22,491,251. The District's cash deposits at June 30, 2018 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: Wells Fargo Bank - El Paso, Texas
- b. The market value of bonds and securities pledged as of the date of the highest combined balance on deposit was \$14,040,449.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$11,697,361 and occurred during the month of July 2017.
- d. Total amount of FDIC coverage at the time of the largest combined bank balance was \$250,000.

Due to the immediate availability of the funds, the District's temporary investments are presented as cash as of June 30, 2018 and are shown below at amortized cost or fair value, which approximates the value of the pool shares:

Temporary Investments	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Internal Service Funds	Total
Logic**	\$ 5,995	\$ -	\$ 59,356	\$ -	\$ 65,351
Lone Star - Corporate Overnight Plus**	2,365,439	152,042	2,627,768	1,519,964	6,665,213
Tex Pool*	10,023	-	-	-	10,023
Tex Star*	7,203	160	2	-	7,365
Texas Class**	3,039,096	4,817,469	178,385	-	8,034,950
TexasTERM*	-	-	449,975	-	449,975
<b>Total</b>	<b>\$ 5,427,756</b>	<b>\$ 4,969,671</b>	<b>\$ 3,315,486</b>	<b>\$ 1,519,964</b>	<b>\$15,232,877</b>

\* - measured at amortized cost

\*\* - measured at fair value

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

TexPool is a local government investment pool in the State of Texas. The State Comptroller of Public Accounts oversees TexPool. There is also a TexPool Advisory Board, composed of participants, which advises on TexPool’s investment policy and approves fee increases. The Lone Star Investment Pool is a member owned, member-governed public funds investment pool. It is managed by an eleven member Board of Trustees and the Board is authorized to adopt and maintain bylaws. There is also an Advisory Board composed of participants that gathers and exchanges information from participants relating to the operation of the Pool. TexStar and LOGIC are investment pools created under the Inter-local Cooperation Act and are administered by First Southwest and JP Morgan Asset Management. Texas Class (Texas Cooperative Liquid Assets Securities System Trust) is a pooled investment program administered by the Public Trust Advisors, LLC. Texas Class is governed by the Board of Trustees which has appointed an Advisory Board composed of Participants and other persons who are qualified to advise the Trust. TexasTERM was created by and for Texas local governments to provide investment programs tailored to the needs of Texas cities, counties, school districts and other public investors. TexasTERM portfolios seek to provide these investors with safety, flexibility and competitive yields. TexasDAILY, a portfolio offered by TexasTERM, is a money market portfolio with daily liquidity. For those pools measured at amortized cost, management is not aware of the presence of any limitations or restrictions on withdrawals such as redemption notice periods, maximum transactions amounts, or the investment pool’s authority to impose liquidity fees or redemption gates.

**B. Interfund Receivables and Payables**

Interfund balances are the result of normal operations and are cleared out periodically. Management intends to pay out these balances within one year. Interfund balances at June 30, 2018 consisted of the following individual fund balances:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund:		
Debt Service Fund	\$ 177,600	\$ -
Nonmajor Governmental Funds	1,144,444	230,125
Internal Service Fund	-	418,624
Agency Fund	-	503,466
Total General Fund	<u>1,322,044</u>	<u>1,152,215</u>
Debt Service Funds:		
General Fund	<u>-</u>	<u>177,600</u>
Nonmajor Governmental Funds:		
General Fund	<u>230,125</u>	<u>1,144,444</u>

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Internal Service Fund:		
General Fund	<u>418,624</u>	<u>-</u>
Agency Fund:		
General Fund	<u>503,466</u>	<u>-</u>
Total	<u>\$ 2,474,259</u>	<u>\$ 2,474,259</u>

C. Capital Asset Activity

Capital asset activity for the District for the year ended June 30, 2018, was as follows:

	<u>Primary Governments</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions and Reclassifications</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Land	\$ 9,955,980	\$ 36,900	\$ -	\$ 9,992,880
Buildings and improvements	155,617,502	62,308	18,652	155,698,462
Furniture and equipment	5,725,683	227,140	-	5,952,823
Vehicles	5,264,324	134,092	(134,673)	5,263,743
Capital Leases	5,016,412	-	-	5,016,412
Construction in Progress	2,005,147	477,040	(18,652)	2,463,535
Totals at historic cost	<u>183,585,048</u>	<u>937,480</u>	<u>(134,673)</u>	<u>184,387,855</u>
Less accumulated depreciation for:				
Buildings and improvements	44,661,717	4,489,821	-	49,151,538
Furniture and equipment	3,953,967	293,674	-	4,247,641
Vehicles	1,975,104	263,586	(110,578)	2,128,112
Capital Leases	1,655,362	501,641	-	2,157,003
Total accumulated depreciation	<u>52,246,150</u>	<u>5,548,722</u>	<u>(110,578)</u>	<u>57,684,294</u>
Governmental activities capital assets, net	<u>\$ 131,338,898</u>	<u>\$ (4,611,242)</u>	<u>\$ (24,095)</u>	<u>\$ 126,703,561</u>

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

Depreciation expense was charged to governmental functions as follows:

11	Instruction	\$ 3,321,862
12	Instructional resources and media services	141,935
13	Curriculum development and instructional staff development	7,932
21	Instructional Leadership	33,129
23	School leadership	62,037
31	Guidance, counseling and evaluation services	19,339
32	Social work services	74
33	Health services	16,258
34	Student (pupil) transportation	249,357
35	Food services	402,466
36	Cocurricular/extracurricular activities	252,688
41	General administration	81,639
51	Plant maintenance and operations	780,420
52	Security and monitoring services	961
53	Data processing services	79,016
61	Community services	<u>99,609</u>
	Total depreciation expense	<u><u>\$ 5,548,722</u></u>

**D. Deferred Outflows and Inflows of Resources**

Deferred losses on refunding of bonds for the year ended June 30, 2018, presented as deferred outflows of resources, were as follows:

	Beginning Balance Restated	Deferred Charge New Issues	Amortization Recognized	Ending Balance
Series 2012	\$ 674,336	\$ -	\$ 47,710	\$ 626,626
Series 2014	619,542	-	55,643	563,899
Series 2015	633,846	-	41,874	591,972
Series 2016	332,644	-	27,414	305,230
Series 2017	547,880	-	31,971	515,909
	<u>\$ 2,808,248</u>	<u>\$ -</u>	<u>\$ 204,612</u>	<u>\$ 2,603,636</u>

(Continued)



**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

Deferred gain on refunding of bonds for the year ended June 30, 2018, presented as deferred inflows of resources, was as follow:

	Beginning Balance	Deferred Gain New Issues	Amortization Recognized	Ending Balance
Series 2011	\$ 423,846	\$ -	\$ 46,402	\$ 377,444

**E. Changes in Long-Term Liabilities**

A summary of changes in general long-term liabilities for the year ended June 30, 2018 is as follows:

	Funded By	Beginning Balance Restated	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>						
Building and Refunding Bonds Payable	Debt Service	\$ 96,045,054	\$ -	\$ 2,490,054	\$ 93,555,000	\$ 3,160,000
Accretion Payable	Debt Service	535,639	4,307	539,946	-	-
Unamortized Premiums on Bonds		8,607,973	-	607,268	8,000,705	-
		<u>105,188,666</u>	<u>4,307</u>	<u>3,637,268</u>	<u>101,555,705</u>	<u>3,160,000</u>
<b>Other Liabilities:</b>						
Capital Leases	General Fund	4,085,642	-	280,602	3,805,040	295,919
Accumulated unpaid vacation and sick leave	General Fund	749,119	654,296	602,163	801,252	753,524
Total Other Liabilities		<u>4,834,761</u>	<u>654,296</u>	<u>882,765</u>	<u>4,606,292</u>	<u>1,049,443</u>
Total Governmental Long-term Liabilities		<u>\$ 110,023,427</u>	<u>\$ 658,603</u>	<u>\$ 4,520,033</u>	<u>\$ 106,161,997</u>	<u>\$ 4,209,443</u>

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**F. Bonds Payable**

A summary of changes in bonds payable for the year ended June 30, 2018 is as follows:

Description	Interest Rate and Maturity Date	Amounts Original Issue	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Unlimited Tax School Building and Refunding Bonds 2006	4.00 - 4.30% 08/22/2022	\$ 3,760,000	\$ 1,530,000	\$ -	\$ -	\$ 1,530,000	\$ 285,000
Unlimited Tax School Building and Refunding Bonds 2006 Capital Appreciation Bonds	4.43% 08/15/2017	54,998	54,998	-	54,998	-	-
Unlimited Tax School Building Bonds 2006B	4.00 - 4.50% 08/15/2017	14,999,996	260,000	-	260,000	-	-
Unlimited Tax School Building Bonds 2007	4.50 - 5.75% 08/15/2018	12,585,000	525,000	-	225,000	300,000	300,000
Unlimited Tax Refunding Bonds 2010	4.00 - 4.50% 08/15/2026	26,215,000	18,170,000	-	1,485,000	16,685,000	1,560,000
Unlimited Tax School Building and Refunding Bonds 2011	2.00 - 5.00% 08/15/2036	24,770,000	15,255,000	-	315,000	14,940,000	340,000
Unlimited Tax Refunding Bonds 2012	2.00 - 3.00% 08/15/2031	6,150,000	6,150,000	-	-	6,150,000	380,000
Unlimited Tax Refunding Bonds 2012 Capital Appreciation Bonds	0.45 - 1.02% 08/15/2017	59,996	56	-	56	-	-
Unlimited Tax School Building Bonds 2013	1.59 - 3.46% 08/15/2038	20,705,000	20,705,000	-	-	20,705,000	-
Unlimited Tax Refunding Bonds 2014	2.00 - 4.00% 08/15/2028	8,795,000	8,635,000	-	-	8,635,000	295,000
Unlimited Tax Refunding Bonds 2015	2.00 - 4.00% 08/15/2032	8,075,000	7,840,000	-	-	7,840,000	-
Unlimited Tax Refunding Bonds 2016	2.00 - 4.00% 08/15/2031	8,645,000	8,465,000	-	-	8,465,000	-
Unlimited Tax Refunding Bonds 2017	2.00 - 4.50% 08/15/2034	8,455,000	8,455,000	-	150,000	8,305,000	-
Total			<u>\$ 96,045,054</u>	<u>\$ -</u>	<u>\$ 2,490,054</u>	<u>\$ 93,555,000</u>	<u>\$ 3,160,000</u>

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

Debt service requirements of the bonds are as follows:

Year Ending June 30,	Bonds Payable		Total Requirements
	Principal	Interest	
2019	\$ 3,160,000	\$ 3,777,931	\$ 6,937,931
2020	3,155,000	3,657,886	6,812,886
2021	3,335,000	3,530,615	6,865,615
2022	3,485,000	3,401,746	6,886,746
2023	3,865,000	3,269,326	7,134,326
2024-2028	23,095,000	13,965,206	37,060,206
2029-2033	28,220,000	8,738,488	36,958,488
2034-2038	21,830,000	3,172,909	25,002,909
2039	3,410,000	68,200	3,478,200
Total	<u>\$ 93,555,000</u>	<u>\$ 43,582,307</u>	<u>\$ 137,137,307</u>

Accretion payable for the year ended June 30, 2018 is as follows:

Description	Accretion Outstanding 06/30/17 Restated	Accrual of Accretion	Accretion Retired	Accretion Outstanding 6/30/18	Due Within One Year
Refunding Series 2006	\$ 223,485	\$ 1,517	\$ 225,002	\$ -	\$ -
Refunding Series 2012	312,154	2,790	314,944	-	-
	<u>\$ 535,639</u>	<u>\$ 4,307</u>	<u>\$ 539,946</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

Unamortized Premiums/Discounts on debt for the year ended June 30, 2018 are as follows:

Description	Beginning Balance Restated	Premiums and Discounts on New Issues	Net Amortization Recognized	Outstanding 06/30/18
Series 2006	\$ 30,536	\$ -	\$ 5,954	\$ 24,582
Series 2006B	273	-	273	-
Series 2007	6,123	-	5,438	685
Series 2010	1,192,638	-	130,607	1,062,031
Series 2011	849,807	-	44,400	805,407
Series 2012	758,091	-	53,635	704,456
Series 2013	1,409,403	-	66,671	1,342,732
Series 2014	748,056	-	67,185	680,871
Series 2015	1,035,831	-	68,430	967,401
Series 2016	1,152,441	-	81,535	1,070,906
Series 2017	1,424,774	-	83,140	1,341,634
<b>Total Premiums</b>	<b>\$ 8,607,973</b>	<b>\$ -</b>	<b>\$ 607,268</b>	<b>\$ 8,000,705</b>

On May 2, 2017, the District issued Unlimited Tax Refunding Bonds, Series 2017 in the amount of \$8,455,000. The bonds and interest are payable February 15 and August 15 of each year, commencing August 15, 2017 and ending August 15, 2034. The bonds were issued to refund portions of the Unlimited Tax School Building and Refunding Bonds Series 2011 and to pay the cost associated with the issuance sale of the bonds. As a result, \$8,645,000 of the 2011 Series bonds are considered to be defeased and not presented in these financial statements. There are no amounts of defeased debt still outstanding at June 30, 2018.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2018. For the year ended June 30, 2018, the District paid \$3,811,058 in interest costs related to bonds payable.

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

G. Commitments under Leases

Capital Leases

The District has entered into two lease agreements for the purchase of energy management equipment. The lease term is 15 years for both leases and annual interest rates are 2.543% and 2.626%.

As of June 30, 2018, the future minimum lease payment requirements are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2019	\$ 295,919	\$ 97,646	\$ 393,565
2020	311,869	90,058	401,927
2021	328,478	82,059	410,537
2022	345,771	73,634	419,405
2023	363,768	64,765	428,533
2024-2028	2,159,235	171,305	2,330,540
Total	\$ 3,805,040	\$ 579,467	\$ 4,384,507

Operating Leases

The District is obligated under various operating lease agreements for copy machine equipment and postage equipment. Operating leases with a term of more than one year provide for minimum future rental payments as of June 30, 2018, as follows:

<u>Year Ending June 30,</u>	
2019	\$ 108,276
2020	19,412
Total Potential Minimum Rentals	\$ 127,688

Rental expenditures for the year ended June 30, 2018 totaled \$181,641.

H. Accumulated Unpaid Vacation and Sick Leave Benefits

Sick leave is available at the beginning of the year. The actual liability may increase or decrease due to teachers moving into and out of the district, and either using or accumulating more sick leave. Additionally, the Board of Trustees may change the District's policy with respect to accrued benefits.

(Continued)

CANUTILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

Upon retirement or death of certain employees, the District pays any accrued sick leave and vacation leave in a lump cash payment to such employee or his/her estate. Individuals employed after October 1, 1985 are not eligible to receive the lump sum payments.

Only full-time support service personnel in assignments of 12 months of service are eligible for paid vacation. The number of paid vacation days an employee is entitled to depends upon the years of service.

A summary of changes in the accumulated sick leave and vacation liability follows:

	<u>Sick and Vacation Leave</u>	
Balance June 30, 2017	\$	749,119
Additions - New Entrants and Salary Increments		654,296
Deductions - Payments to Participants		<u>602,163</u>
Balance June 30, 2018	\$	<u>801,252</u>

I. Defined Benefit Pension Plan

**Plan Description:** The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

**Pension Plan Fiduciary Net Position:** Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**Benefits Provided:** TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

**Contributions:** Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the system's actuary.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	<u>Contribution Rates</u>	
	<u>Plan Fiscal Year</u>	
	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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**III. DETAILED NOTES ON ALL FUNDS (Continued)**

Contributions Required and Made

2018 District Contributions	\$ 1,214,756
2018 Member Contributions	3,057,454
2017 Plan Year NECE On-Behalf Contributions (State)	1,941,744

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies, including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Included in the employer contributions amount listed above for fiscal year 2018, the District paid \$-0- in retiree surcharges and \$488,296 for non-OASDI employees. These two additional surcharges an employer is subject to are summarized as follows:

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

(Continued)



# CANUTILLO INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

### III. DETAILED NOTES ON ALL FUNDS (Continued)

**Actuarial Assumptions:** The total pension liability in the August 31, 2017, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Municipal Bond Rate	N/A*
Last year ending August 31 in the 2017 to 2116 Projection period (100 years)	2116
Inflation	2.50%
Salary Increases including inflation	3.50% to 9.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

*\*If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (i.e. the rate closest to but not later than the Measurement Date). The source for the rate is Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014, and adopted on September 24, 2015.

**Discount Rate:** The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability with no crossover point to a municipal bond rate. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017, are summarized below:

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

Asset Class	Target Allocation*	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return**
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

\*Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long-term expected geometric real rate of return or expected contribution to long-term portfolio returns.

\*\*The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**Discount Rate Sensitivity Analysis:** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability:

	1% Decrease in Discount Rate (7%)	Current Discount Rate 8%	1% Increase in Discount Rate (9%)
District's proportionate share of the net pension liability	\$ 19,395,466	\$ 11,505,183	\$ 4,935,243

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** At June 30, 2018, the District reported a liability of \$11,505,183 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

The District's proportionate share of the collective net pension liability	\$ 11,505,183
State's proportionate share that is associated with the District	<u>18,983,563</u>
Total	<u><u>\$ 30,488,746</u></u>

The net pension liability was measured as of August 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016, through August 31, 2017.

At August 31, 2017, the District's proportion of the collective net pension liability was 0.0359822448% which was a decrease of 0.0009952303% from its proportion measured as of August 31, 2016.

**Changes since the Prior Actuarial Valuation:** There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended June 30, 2018, the District recognized pension expense of \$1,447,991 and revenue of \$1,447,991 for support provided by the State.

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

The amount of pension expense recognized by the District in the reporting period was \$3,098,439.

At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 168,326	\$ 620,459
Changes in actuarial assumptions	524,079	300,023
Net difference between projected and actual investment earnings	-	838,472
Changes in proportion and difference between District's contributions and proportionate share of contributions	1,817,060	921,706
District contributions to TRS subsequent to the measurement date	1,026,040	-
	<u>1,026,040</u>	<u>-</u>
Total	<u>\$ 3,535,505</u>	<u>\$ 2,680,660</u>

The \$1,026,040 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2019	\$ (92,872)
2020	641,533
2021	(149,298)
2022	(368,841)
2023	(151,656)
Thereafter	<u>(50,061)</u>
	<u>\$ (171,195)</u>

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

***Changes in Net Pension liability:***

	Beginning Balance	Additions	Reductions	Ending Balance
Net Pension Liability	\$ 13,973,238	\$ 2,276	\$ 2,470,331	\$ 11,505,183

***Payable to the Pension Plan:*** At June 30, 2018, the District reported a payable of \$357,714 to the pension plan for the outstanding amount of contractually required contributions related to past service costs.

**J. Defined Other Post-Employment Benefit Plan**

***Plan Description:*** The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

***OPEB Plan Fiduciary Net Position:*** Detail information about the TRS-Care’s fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

***Benefits Provided:*** TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

<b>TRS-Care Plan Premium Rates</b>			
Effective Sept. 1, 2016 - Dec. 31, 2017			
	<b>TRS-Care 1 Basic Plan</b>	<b>TRS-Care 2 Optional Plan</b>	<b>TRS-Care 3 Optional Plan</b>
Retiree*	\$ 0	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

*\*or surviving spouse*

**Contributions:** Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which was 1.0% and increased to 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.00%	1.25%
2018 District Contributions	\$	322,102
2018 Member Contributions		258,101
2017 Plan Year NECE On-Behalf Contributions (State)		349,649

(Continued)

CANUTILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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**III. DETAILED NOTES ON ALL FUNDS (Continued)**

Included in the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether or not they participate in the TRS Care OPEB program. When employers hire a TRS retiree, they are required to pay to TRS Care a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$212 million in fiscal year 2018.

*Actuarial Assumptions:* The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The Post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the actuarial assumptions below. Those assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

***Additional Actuarial Methods and Assumptions:***

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate*	3.42%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrator expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases**	3.50% to 9.50%
Healthcare Trend Rates***	4.50% to 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

*\*Source: Fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2017.*

*\*\*Includes inflation of 2.50%*

*\*\*\*Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 year.*

***Other Information:*** There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

***Discount Rate:*** A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

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**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**Discount Rate Sensitivity Analysis:** The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (x%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the Net OPEB Liability:	\$ 25,059,939	\$ 21,232,770	\$ 18,156,588

**Healthcare Cost Trend Rates Sensitivity Analysis:** The following presents the Net OPEB Liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB Liability would be if it were calculated using a trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	\$ 17,678,402	\$ 21,232,770	\$ 25,896,548

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs:** At August 31, 2018, the District reported a liability of \$21,232,770, for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

The District's proportionate share of the collective Net OPEB Liability	\$ 21,232,770
State's proportionate share that is associated with the District	<u>29,245,802</u>
Total	<u><u>\$ 50,478,572</u></u>

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

(Continued)

CANUTILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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**III. DETAILED NOTES ON ALL FUNDS (Continued)**

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.0488264002%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statements for August 31, 2017 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

***Changes Since the Prior Actuarial Valuation:*** The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

1. Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016, valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by the 25 basis point addition to the long term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

For the year ended June 30, 2018, the District recognized OPEB expense of \$(9,786,423) and revenue of \$(9,786,423) for support provided by the State.

The amount of OPEB expense recognized by the District in the reporting period was \$(17,228,900).

At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual economic experience	\$ -	\$ 443,250
Changes in actuarial assumptions	-	8,438,458
Difference between projected and actual investment earnings	3,225	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	97	-
Contributions paid to TRS subsequent to the measurement date	<u>281,628</u>	<u>-</u>
Total	<u>\$ 284,950</u>	<u>\$ 8,881,708</u>

The \$199,237 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	OPEB Expense Amount
<u>                                    </u>	<u>                                    </u>
2019	\$ (1,171,513)
2020	(1,171,513)
2021	(1,171,513)
2022	(1,171,513)
2023	(1,172,319)
Thereafter	<u>(3,020,015)</u>
	<u>\$ (8,878,386)</u>

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

***Changes in the Net OPEB Liability:***

	Beginning Balance		Additions		Reductions		Ending Balance
Net OPEB Liability	\$ 37,485,383	\$	270	\$	16,252,883	\$	21,232,770

***Payable to the OPEB Plan:*** At June 30, 2018, the District reported a payable of \$50,006 to the OPEB plan for the outstanding amount of contractually required contributions related to past service costs.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Medicare Part D contributions made on behalf of the District’s employees for the year ended June 30, 2018, 2017 and 2016 were \$121,239, \$120,825, and \$159,671, respectively. These amounts are recorded as equal revenues and expenditures in the governmental fund financial statements of the District.

**Negative Operating Grants and Contributions - Statement of Activities**

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation. For these plans, the non-employer contributing entities (NECE) also participates in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, onbehalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in actuarial assumptions within the TRS-care plan. The effect of recording the onbehalf amounts for the District’s proportionate share of that expense resulted in negative on-behalf revenue and expense amounts. As such, the Statement of Activities includes several functions with negative amounts in operating grants and contributions. However, the net effect on governmental activities was zero for the year ended June 30, 2018.

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding on- behalf accruals)
11 - Instruction	\$ (3,103,550)	\$ (6,007,463)	\$ 2,903,913
12 - Instructional Resources and Media Services	121,949	(142,733)	264,682
13 - Curriculum and Instructional Staff Development	876,668	(51,005)	927,673
21 - Instructional Leadership	111,213	(179,653)	290,866
23 - School Leadership	(621,143)	(785,847)	164,704
31 - Guidance, Counseling and Evaluation Services	(221,292)	(355,318)	134,026
33 - Health Services	672,334	(181,210)	853,544
34 - Student (Pupil) Transportation	(303,439)	(361,877)	58,438
35 - Food Services	5,230,002	-	5,230,002
36 - Extracurricular Activities	(170,656)	(244,052)	73,396
41 - General Administration	(287,466)	(525,112)	237,646
51 - Facilities Maintenance and Operations	(508,392)	(631,475)	123,083
52 - Security and Monitoring Services	(51,233)	(61,100)	9,867
53 - Data Processing Services	(214,952)	(256,350)	41,398
61 - Community Services	389,916	(3,228)	393,144
72 - Interest and Fees on Long Term Debt	625,361		625,361
	<u>\$ 2,545,320</u>	<u>\$ (9,786,423)</u>	<u>\$ 12,331,743</u>

**K. Rebatable Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least five years. Arbitrage is evaluated and estimated on an annual basis by a third party. The company has estimated no liability for the District as of June 30, 2018.

**L. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board maintains insurance policies acquired from independent insurance carriers covering all structural property, automobiles, dishonesty, education legal liability errors and omissions, boiler and machinery, personal property, and general liability. There have been no significant reductions in insurance coverage from prior years and settlements did not exceed insurance coverage.

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

For the year ended June 30, 2018, Canutillo Independent School District carried insurance for building, contents, and property in the amount of \$325,836,983 with deductibles ranging from \$10,000 to \$100,000 per occurrence.

**M. Health Care Coverage**

During the year ended June 30, 2018, employees of the District were covered by the District's medical self-insurance Plan ("the Plan"). The District contributed approximately \$623 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependent's health insurance coverage. Blue Cross Blue Shield of Texas is the third party administrator for the plan. Terms and provisions are included in the contractual provisions.

The District obtained excess loss insurance which limited annual claims paid from the Fund for the year ended June 30, 2018 to \$125,000 for any individual participant and an aggregate unlimited per policy period.

Estimates of claims payable and of claims incurred but not reported (IBNR) at June 30, 2018, are reflected as accrued expenses of the fund. The plan is funded to discharge liabilities of the fund as they become due.

Changes in the balances of claims during the 2017-2018 year were as follows:

	2018	2017	2016
Unpaid claims, beginning of year	\$ 2,072,066	\$ 1,707,768	\$ 1,172,940
Incurred claims (including IBNRs)	5,094,431	5,532,125	5,768,046
Adjustment - see Note Y	(1,785,134)	-	-
Claim payments	(4,763,340)	(5,167,827)	(5,233,218)
Unpaid claims, end of fiscal year	\$ 618,023	\$ 2,072,066	\$ 1,707,768

**N. Unemployment Compensation Pool**

During the year ended June 30, 2018, Canutillo ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended June 30, 2018, the Fund anticipates that Canutillo ISD has no additional liability beyond the contractual obligation for payment contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

O. Unearned Revenue

Unearned revenue at June 30, 2018, consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Federal Grants	\$ -	\$ 30,305	\$ 30,305
State and Local Grants	-	16,138	16,138
USDA Commodities	23,127	-	23,127
<b>Total</b>	<b>\$ 23,127</b>	<b>\$ 46,443</b>	<b>\$ 69,570</b>

P. Receivables from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. A majority of federal grants are passed through the TEA. Amounts due from federal and state governments as of June 30, 2018, are summarized below.

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Federal Grants	\$ 824,200	\$ -	\$ 1,179,365	\$ 2,003,565
State Grants	-	-	1,457	1,457
State Support	9,652,055	320,577	-	9,972,632
<b>Total</b>	<b>\$ 10,476,255</b>	<b>\$ 320,577</b>	<b>\$ 1,180,822</b>	<b>\$ 11,977,654</b>

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**Q. Revenue from Local and Intermediate Sources**

During the year, revenues from local and intermediate sources consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 23,279,758	\$ 7,156,969	\$ -	\$ 30,436,727
Penalties, interest and other tax related income	219,437	65,625	-	285,062
Athletic activities	37,742	-	-	37,742
Investment income	158,302	47,589	49,908	255,799
Food Service Activity	93,487	-	-	93,487
Revenue from Foundations	1,343	-	41,651	42,994
Other	75,505	-	-	75,505
<b>Total</b>	<b>\$ 23,865,574</b>	<b>\$ 7,270,183</b>	<b>\$ 91,559</b>	<b>\$ 31,227,316</b>

**R. Litigation**

During the normal course of business the District is subject to various legal claims. As of June 30, 2018, management is not aware of any such claim which would have a material adverse effect on the financial statements.

**S. Top Ten Taxpayers**

The following businesses and individuals represent the top ten taxpayers for Canutillo Independent School District's tax base:

<u>Name of Taxpayer</u>	<u>Net Taxable Value</u>
Tenet Hospitals Limited	\$ 82,018,980
El Paso Outlet Outparcels LLC	64,307,422
Rop Artcraft LLC	32,303,573
Care Fusion 213 LLC	26,180,803
Plexxar Joint Venture	22,015,141
Sumitomo Electric Wiring System Inc.	19,355,981
Sierra Providence West	19,086,710
El Paso Electric Co.	19,033,194
Schneider Electric USA Inc.	16,761,161
IC Industrial Sideco LLC	15,998,377
<b>Total of top 10 Taxpayer's</b>	<b>\$ 317,061,342</b>

(Continued)



**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**T. Construction and Other Significant Commitments and Contingencies**

Construction Commitments

The District had ongoing capital projects under non-cancelable contracts at June 30, 2018. Capital projects commitments as of June 30, 2018 are as follows:

<u>Project Name</u>	<u>Paid To Date</u>	<u>Remaining Commitment</u>
CTE Agricultural Science Facility	\$ 180,064	\$ 666,036
Project Vida Lonestar Clinic	-	73,939
CMS-Wastewater Management	116,190	1,319,362
Total	<u>\$ 296,254</u>	<u>\$ 2,059,337</u>

Federal and State Funding

Canutillo Independent School District participates in numerous state and federal programs that are subject to audit by the Texas Education Agency and various Federal and/or State audit agencies. These programs have complex compliance requirements, and should State or Federal auditors discover areas of material noncompliance, those District funds may be subject to refund if so determined by administrative audit review.

In the opinion of administration, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**U. Related Party Transactions**

From time to time, the District may enter into transactions with related parties through the normal course of business. If a Board member has a conflict of interest, proper documentation is completed and he/she is required to abstain from any discussion or voting regarding the matter. Management is not aware of any material related party transactions that occurred during the 2017-2018 fiscal year.

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

V. Fund Balances

As of June 30, 2018, fund balances are composed of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Inventories	\$ 353,680	\$ -	\$ -	\$ 353,680
Prepayments	47,377	-	-	47,377
Restricted:				
Food Services	974,904	-	-	974,904
Summer Feeding Program	-	-	118,851	118,851
Capital Acquisition	-	-	3,007,237	3,007,237
Retirement of Long-Term Debt	-	5,170,823	-	5,170,823
Assigned:				
Equipment	98,000	-	-	98,000
Other	250,000	-	-	250,000
Unassigned	14,017,009	-	-	14,017,009
Total fund balances	<u>\$ 15,740,970</u>	<u>\$ 5,170,823</u>	<u>\$ 3,126,088</u>	<u>\$ 24,037,881</u>

As of June 30, 2018, there were no committed fund balances.

As discussed in Note W, as of June 30, 2018, the District has \$871,314 of encumbrances of operating funds in major funds that rolled over into the next fiscal year.

W. Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration for the general fund, special revenue funds, and capital projects funds. At June 30, 2018, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

	<u>Encumbrances Included in:</u>		
	Restricted Fund Balance	Assigned Fund Balance	Total
General Fund	\$ 4,155	\$ 166,326	\$ 170,481
Nonmajor Funds	700,833	-	700,833
Total	<u>\$ 704,988</u>	<u>\$ 166,326</u>	<u>\$ 871,314</u>

(Continued)

CANUTILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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III. DETAILED NOTES ON ALL FUNDS (Continued)

X. School Health and Related Services (SHARS)

SHARS is a Medicaid financing program and allows local school districts to obtain Medicaid reimbursement for certain health-related services provided to students in special education. Since SHARS settle-up amounts are usually calculated and received or more in arrears, the district does not have adequate information to make an estimate of the receivable related to the current year on the government wide financial statements. However, the receivable and related revenues are recorded in the fiscal year the preliminary settle-up amounts are available, which is usually one year in arrears.

SHARS revenue recorded in the current period related to prior year's settle-up amounts was \$824,281. As of June 30, 2018, the SHARS receivable was \$663,728 and is included in "Receivable from Other Governments".

Y. Prior Period Adjustments

During fiscal year 2018, the District adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. With GASB 75, the District must assume its proportionate share of the Net OPEB Liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. Furthermore, as a result of recognizing the Net OPEB liability, the District ended the fiscal year with a deficit in unrestricted net position, which amounted to (\$22,959,608). For more detailed information regarding the implementation of GASB 75, see Note J.

Including the OPEB adjustment, the District had the following prior period adjustments to the fund balances and net position for governmental funds and governmental activities:

Debt Service Fund:	
To recognize prior year unearned revenue (fund balance)	\$ (164,341)
Proprietary Funds:	
To adjust prior year's accrued expenses (net position)	1,785,134
Government Wide:	
To adjust deferred losses on refunding of bonds	(299,987)
To adjust accretion payable	1,715,064
To adjust unamortized premiums on bonds	365,225
To recognize the net OPEB liability	<u>(37,272,005)</u>
Total Prior Period Adjustments (net position)	<u>\$ (33,870,910)</u>

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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**III. DETAILED NOTES ON ALL FUNDS (Continued)**

The prior period adjustments totaled \$(33,870,910) which resulted in a restated beginning net position balance of (\$1,370,904).

June 30, 2017 net position	\$ 32,500,006
Prior period adjustments	<u>(33,870,910)</u>
Restated beginning net position	<u><u>\$ (1,370,904)</u></u>

**Z. New Accounting Pronouncements**

The District has not completed the process of evaluating the impact on its financial position that will result from adopting the following Governmental Accounting Standards Board (GASB) Statements:

- GASB No. 83, *Certain Asset Retirement Obligations*, effective for fiscal years beginning after June 15, 2018. GASB No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs).
- GASB No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018. GASB No. 84 establishes criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. GASB No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases.

**REQUIRED SUPPLEMENTARY INFORMATION**

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 22,901,469	\$ 23,311,134	\$ 23,865,574	\$ 554,440
5800	State Program Revenues	31,122,713	32,804,164	33,251,472	447,308
5900	Federal Program Revenues	5,077,300	5,540,098	6,210,272	670,174
5020	Total Revenues	59,101,482	61,655,396	63,327,318	1,671,922
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	31,610,659	31,928,365	31,689,219	239,146
0012	Instructional Resources and Media Services	651,194	717,967	712,415	5,552
0013	Curriculum and Instructional Staff Development	517,498	518,448	474,739	43,709
0021	Instructional Leadership	901,911	910,608	902,705	7,903
0023	School Leadership	3,623,020	3,702,638	3,679,147	23,491
0031	Guidance, Counseling and Evaluation Services	1,935,711	1,935,668	1,921,683	13,985
0032	Social Work Services	153,423	171,465	158,593	12,872
0033	Health Services	800,513	827,725	821,252	6,473
0034	Student (Pupil) Transportation	1,700,664	1,925,732	1,893,399	32,333
0035	Food Services	4,310,300	4,658,098	4,339,717	318,381
0036	Extracurricular Activities	1,509,503	1,622,806	1,517,041	105,765
0041	General Administration	2,760,360	2,954,767	2,931,415	23,352
0051	Facilities Maintenance and Operations	5,752,907	6,561,774	6,032,143	529,631
0052	Security and Monitoring Services	425,731	613,302	601,348	11,954
0053	Data Processing Services	1,615,871	1,717,364	1,666,143	51,221
0061	Community Services	19,560	32,672	26,678	5,994
Debt Service:					
0071	Principal on Long Term Debt	321,000	280,602	280,602	-
0072	Interest on Long Term Debt	111,657	104,841	104,841	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	90,554	36,899	53,655
Intergovernmental:					
0099	Other Intergovernmental Charges	380,000	380,000	379,178	822
6030	Total Expenditures	59,101,482	61,655,396	60,169,157	1,486,239
1200	Net Change in Fund Balances	-	-	3,158,161	3,158,161
0100	Fund Balance - July 1 (Beginning)	12,582,809	12,582,809	12,582,809	-
3000	Fund Balance - June 30 (Ending)	\$ 12,582,809	\$ 12,582,809	\$ 15,740,970	\$ 3,158,161

## CANUTILLO INDEPENDENT SCHOOL DISTRICT

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2018

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#### **Budgets and Budgetary Accounting**

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the General, National School Breakfast and Lunch Program, and Debt Service funds before the beginning of the fiscal year. For fiscal years beginning July 1, the Texas Education Code requires the budget to be prepared not later than June 20 and adopted by June 30 of each year. The District's administration determines budgetary funding priorities and the budgets are prepared on the same basis of accounting that is used for reporting in accordance with generally accepted accounting principles. Final budget allocations are determined by the Board, which subsequently establishes a tax rate sufficient to support the approved budget. The annual budget, which is prepared on the modified accrual basis of accounting, must be adopted by the Board at a scheduled meeting after giving ten days public notice of the meeting. The District annually adopts legally authorized appropriated budgets for the General, National School Breakfast and Lunch Program, and Debt Service funds. On June 27, 2017, the 2017-2018 budget was legally adopted by the Board.

The District's administration performs budget reviews during the year in which budget requirements are reevaluated and revisions are recommended to the Board. The Board must approve amendments to the budget at the fund and functional expenditure categories or revenue object accounts as defined by the TEA. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Several amendments were necessary during the year. However, none of these were significant.

Expenditures may not legally exceed budget appropriations, as amended, at the function level by fund. Unexpended appropriations lapse at year-end.

During the fiscal year ended June 30, 2018, the District did not have any expenditures over appropriations on all required legally adopted budgets.

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED JUNE 30, 2018

	Measurement Year Ended August 31,			
	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0359822448%	0.0369774751%	0.0411727000%	0.0291367000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 11,505,183	\$ 13,973,238	\$ 14,554,001	\$ 7,782,816
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	18,983,563	23,778,787	22,458,036	19,466,520
Total	<u>\$ 30,488,746</u>	<u>\$ 37,752,025</u>	<u>\$ 37,012,037</u>	<u>\$ 27,249,336</u>
District's Covered Payroll	\$ 38,748,832	\$ 39,201,808	\$ 38,499,576	\$ 37,740,467
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	29.69%	35.64%	37.80%	20.62%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

Note: GASB 68, paragraph 81 requires that the information on this schedule be presented for the Plan's measurement year (September 1st - August 31st) as opposed to the District' fiscal year.

Note: Only four years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."



CANUTILLO INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR THE YEAR ENDED JUNE 30, 2018

	Fiscal Year Ended June 30,			
	2018	2017	2016	2015
Contractually Required Contribution	\$ 1,214,756	\$ 1,197,336	\$ 1,196,817	\$ 1,147,171
Contribution in Relation to the Contractually Required Contribution	<u>(1,214,756)</u>	<u>(1,197,336)</u>	<u>(1,196,817)</u>	<u>(1,147,171)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 39,701,704	\$ 38,676,504	\$ 39,201,808	\$ 38,499,576
Contributions as a percentage of Covered Payroll	3.06%	3.10%	3.05%	2.98%

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1st - August 31st.

Note: Only four years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
TEACHER RETIREMENT SYSTEM FOR PENSIONS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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***Changes of benefit terms***

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

***Changes of assumptions***

There were no changes to assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR THE YEAR ENDED JUNE 30, 2018

	Measurement Year Ended August 31, <u>2017</u>
District's Proportion of the Net OPEB Liability (Asset)	0.0488264002%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 21,232,770
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	<u>29,245,802</u>
Total	<u><u>\$ 50,478,572</u></u>
District's Covered Payroll	\$ 38,748,832
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	54.80%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.91%

Note: GASB 75, paragraph 97 requires that the information on this schedule be presented for the Plan's measurement year (September 1st - August 31st) as opposed to the District's fiscal year.

Note: Only one year of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR THE YEAR ENDED JUNE 30, 2018

	Fiscal Year Ended June 30, 2018
Contractually Required Contribution	\$ 322,102
Contribution in Relation to the Contractually Required Contribution	(322,102)
Contribution Deficiency (Excess)	\$ -
District's Covered Payroll	\$ 39,701,704
Contributions as a percentage of Covered Payroll	0.81%

Note: GASB 75, paragraph 97 requires that the information on this schedule be presented for the District's fiscal year as opposed to the time period covered by the measurement date of September 1st - August 31st.

Note: Only one year of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

## CANUTILLO INDEPENDENT SCHOOL DISTRICT

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION TEACHER RETIREMENT SYSTEM FOR OPEB

FOR THE YEAR ENDED JUNE 30, 2018

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#### *Changes of benefit terms*

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

#### *Changes of assumptions*

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

1. Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016, valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by the 25 basis point addition to the long term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

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## **COMBINING AND OTHER STATEMENTS**

## NONMAJOR GOVERNMENTAL FUNDS

---

### **211 - Elementary and Secondary Education Act (ESEA) Title I, Part A -Improving Basic Programs**

Funds are used to improve the teaching and learning of children who are at risk of not meeting challenging academic standards and who reside in areas with high concentration of children from low-income families.

### **212 - Elementary and Secondary Education Act (ESEA) Title I, Part C- Migrant Education**

Funds are used to support high quality education programs for migratory children.

### **224 - Individuals with Disabilities Education Act (IDEA). Part B - Formula**

Funds are used to operate educational programs for children with disabilities.

### **225 - Individuals with Disabilities Education Act (IDEA). Part B - Preschool**

Funds are used to operate educational programs for preschool children with disabilities.

### **242 - Summer Feeding Program**

Funds are used to provide low-income children to continue to receive nutritious meals when school is not in session.

### **244 - Elementary and Secondary Education Act (ESEA) Carl D. Perkins Basic Grant**

Funds are used to promote advanced skills for competitive wages in high-demand careers.

### **255 - Elementary and Secondary Education Act (ESEA) Title II - Teacher and Principal Training and Recruiting**

Funds are used to increase academic achievement of all students by helping schools and school districts to improve teacher and principal quality.

### **263 - Elementary and Secondary Education Act (ESEA) Title III -English Language Acquisition**

Funds are used to improve the education of limited English proficient children by assisting the children to learn English and meet challenging State academic content and achievement standards.

### **272 - Medicaid Administrative Claiming Program**

Funds are used for reimbursement of eligible administrative cost for activities attributed to the implementation of the Medicaid state plan.

### **289 - Summer School Limited English Proficient (LEP) and Elementary and Secondary Education Act (ESEA) - Title IV**

Funds include the reimbursement of summer school cost for Limited English Proficient students.

Funds to help increase the access to a well-rounded education and to improve school conditions for student learning.

(Continued)



## NONMAJOR GOVERNMENTAL FUNDS

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### **397 - Advanced Placement Incentives**

Funds are used for enhancement of academic programs.

### **410 - State Textbook Fund**

Funds are used to provide instructional materials awarded under the textbook allotment.

### **429 - Other State Special Revenue Funds**

Funds include Prekindergarten program and other state funded programs.

### **486 - Wells Fargo STEM-Power**

Funds awarded under Wells Fargo are used to implement STEM programs to awarded campuses.

### **487- CREED Accelerated Certification**

Funds are used to provide tuition reimbursement for teachers.

### **488 - Canutillo Healthy Girls- Oliver Foundation**

Funds used to promote physical activity levels and health awareness to 5th grade girls at Canutillo elementary pilot summer program.

### **499 - Other Local Special Revenue Funds**

**Prudential Math Challenge-** Funds to increase math competency.

**Project Lead the Way-** Funds to implement STEM program in Canutillo Middle School.

**Educate Texas-** Funds to implement Google Expedition Summer Bridge program at Canutillo High School.

### **691 - 2006 Bonds Capital Project Fund**

Funds are used to construct and equip a new school and address critical renovations and improvements at facilities across the district.

### **692 - 2011 Bonds Capital Project Fund**

Funds are used to support technology, transportation, and energy conservation, and address critical renovations and improvements at facilities across the district.

### **693 - 2013 Bonds Capital Project Fund**

Funds are used to support technology, transportation, and energy conservation, and address critical renovations and improvements at facilities across the district.

### **699 - Capital Projects Funds**

Funds are used to address critical renovations and improvements at facilities across the district.

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2018

Data Control Codes	211 Title I, Part A - Improving Basic Program	212 Title I, Part C - Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	553,124	96,818	237,842
1260	Due from Other Funds	-	-	-
1290	Other Receivables	5,344	-	-
1000	<b>Total Assets</b>	<u>\$ 558,468</u>	<u>\$ 96,818</u>	<u>\$ 237,842</u>
<b>LIABILITIES</b>				
2110	Accounts Payable	\$ 16,183	\$ 17,220	\$ -
2160	Accrued Wages Payable	145,196	13,942	117,840
2170	Due to Other Funds	397,089	65,656	120,002
2300	Unearned Revenues	-	-	-
2000	<b>Total Liabilities</b>	<u>558,468</u>	<u>96,818</u>	<u>237,842</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 558,468</u>	<u>\$ 96,818</u>	<u>\$ 237,842</u>

242 Summer Food Service Program	244 Carl D. Perkins Basic Formula Grant	255 Title II, A Supporting Effective Ins	263 Title III, A English Lang. Acquisition	272 Medicaid Admin. Claim MAC	289 Title IV, A & Summer School LEP	397 Advanced Placement Incentives	410 State Textbook Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63,531	43,649	88,733	59,941	21,751	6,002	-	-
88,866	-	-	-	7,569	-	-	652
-	124	-	-	-	-	-	-
<u>\$ 152,397</u>	<u>\$ 43,773</u>	<u>\$ 88,733</u>	<u>\$ 59,941</u>	<u>\$ 29,320</u>	<u>\$ 6,002</u>	<u>\$ -</u>	<u>\$ 652</u>
\$ 3,805	\$ 3,465	\$ 1,317	\$ 5,938	\$ -	\$ -	\$ -	\$ -
29,741	-	2,659	10,419	-	4,711	-	-
-	40,308	84,757	43,584	-	306	-	-
-	-	-	-	29,320	985	-	652
<u>33,546</u>	<u>43,773</u>	<u>88,733</u>	<u>59,941</u>	<u>29,320</u>	<u>6,002</u>	<u>-</u>	<u>652</u>
118,851	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>118,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 152,397</u>	<u>\$ 43,773</u>	<u>\$ 88,733</u>	<u>\$ 59,941</u>	<u>\$ 29,320</u>	<u>\$ 6,002</u>	<u>\$ -</u>	<u>\$ 652</u>

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2018

Data Control Codes	429 Other State Special Revenue Funds	486 Wells Fargo STEM-Power	487 CREED Accelerated Certification	488 Canutillo Healthy Girls - Oliver
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	1,457	-	-
1260	Due from Other Funds	1,567	2,732	3,161
1290	Other Receivables	-	-	-
1000	<b>Total Assets</b>	<u>\$ 3,024</u>	<u>\$ -</u>	<u>\$ 2,732</u> <u>\$ 3,161</u>
<b>LIABILITIES</b>				
2110	Accounts Payable	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-
2170	Due to Other Funds	-	-	-
2300	Unearned Revenues	3,024	2,732	3,161
2000	<b>Total Liabilities</b>	<u>3,024</u>	<u>-</u>	<u>2,732</u> <u>3,161</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,024</u>	<u>\$ -</u>	<u>\$ 2,732</u> <u>\$ 3,161</u>

499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	691 2006 Bonds Capital Project Fund	692 2011 Bonds Capital Project Fund	693 2013 Bonds Capital Projects Fund	699 Capital Projects Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 628,361	\$ 2,241,657	\$ 445,468	\$ 130	\$ 3,315,616	\$ 3,315,616
-	1,180,822	-	-	-	-	-	1,180,822
19,062	123,609	-	-	106,516	-	106,516	230,125
-	5,468	-	1,940	-	-	1,940	7,408
<u>\$ 19,062</u>	<u>\$ 1,309,899</u>	<u>\$ 628,361</u>	<u>\$ 2,243,597</u>	<u>\$ 551,984</u>	<u>\$ 130</u>	<u>\$ 3,424,072</u>	<u>\$ 4,733,971</u>
\$ 12,493	\$ 60,421	\$ 22,427	\$ -	\$ 9,640	\$ -	\$ 32,067	\$ 92,488
-	324,508	-	-	-	-	-	324,508
-	759,676	181,127	203,511	-	130	384,768	1,144,444
6,569	46,443	-	-	-	-	-	46,443
<u>19,062</u>	<u>1,191,048</u>	<u>203,554</u>	<u>203,511</u>	<u>9,640</u>	<u>130</u>	<u>416,835</u>	<u>1,607,883</u>
-	118,851	-	-	-	-	-	118,851
-	-	424,807	2,040,086	542,344	-	3,007,237	3,007,237
-	118,851	424,807	2,040,086	542,344	-	3,007,237	3,126,088
<u>\$ 19,062</u>	<u>\$ 1,309,899</u>	<u>\$ 628,361</u>	<u>\$ 2,243,597</u>	<u>\$ 551,984</u>	<u>\$ 130</u>	<u>\$ 3,424,072</u>	<u>\$ 4,733,971</u>

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	211 Title I, Part A - Improving Basic Program	212 Title I, Part C - Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	2,037,518	223,667	863,214	7,974
5020 Total Revenues	2,037,518	223,667	863,214	7,974
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	560,504	131,354	750,886	7,974
0012 Instructional Resources and Media Services	241,632	-	-	-
0013 Curriculum and Instructional Staff Development	660,009	4,494	-	-
0021 Instructional Leadership	137,259	86,310	38,285	-
0023 School Leadership	25,590	-	-	-
0031 Guidance, Counseling and Evaluation Services	2,604	-	74,043	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	21,024	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	388,896	1,509	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	2,037,518	223,667	863,214	7,974
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

242 Summer Food Service Program	244 Carl D. Perkins Basic Formula Grant	255 Title II, A Supporting Effective Ins	263 Title III, A English Lang. Acquisition	272 Medicaid Admin. Claim MAC	289 Title IV, A & Summer School LEP	397 Advanced Placement Incentives	410 State Textbook Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	2,840	109,612
63,531	65,212	225,716	166,656	-	48,864	-	-
63,531	65,212	225,716	166,656	-	48,864	2,840	109,612
-	45,768	57,684	81,823	-	48,864	-	109,612
-	-	-	-	-	-	-	-
-	6,483	155,821	84,076	-	-	2,840	-
-	-	-	-	-	-	-	-
-	-	12,211	-	-	-	-	-
-	-	-	-	-	-	-	-
48,529	-	-	-	-	-	-	-
-	12,961	-	-	-	-	-	-
21,108	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	757	-	-	-	-
-	-	-	-	-	-	-	-
69,637	65,212	225,716	166,656	-	48,864	2,840	109,612
(6,106)	-	-	-	-	-	-	-
124,957	-	-	-	-	-	-	-
\$ 118,851	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	429 Other State Special Revenue Funds	486 Wells Fargo STEM-Power	487 CREED Accelerated Certification	488 Canutillo Healthy Girls - Oliver
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ 3	\$ 12,561	\$ -
5800 State Program Revenues	35,787	-	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	35,787	3	12,561	-
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	28,612	3	12,561	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	5,715	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	1,460	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	35,787	3	12,561	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -



499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	691 2006 Bonds Capital Project Fund	692 2011 Bonds Capital Project Fund	693 2013 Bonds Capital Projects Fund	699 Capital Projects Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 29,087	\$ 41,651	\$ 8,639	\$ 34,426	\$ 6,843	\$ -	\$ 49,908	\$ 91,559
-	148,239	-	-	-	-	-	148,239
-	3,702,352	-	-	-	-	-	3,702,352
29,087	3,892,242	8,639	34,426	6,843	-	49,908	3,942,150
29,087	1,864,732	-	-	277,245	-	277,245	2,141,977
-	241,632	-	-	-	-	-	241,632
-	919,438	-	-	-	-	-	919,438
-	261,854	-	-	-	-	-	261,854
-	37,801	-	-	-	-	-	37,801
-	76,647	-	-	-	-	-	76,647
-	48,529	-	-	-	-	-	48,529
-	33,985	-	-	-	-	-	33,985
-	21,108	-	-	-	-	-	21,108
-	-	-	77,911	246,352	-	324,263	324,263
-	392,622	-	-	-	-	-	392,622
-	-	185,991	85,639	16,344	-	287,974	287,974
29,087	3,898,348	185,991	163,550	539,941	-	889,482	4,787,830
-	(6,106)	(177,352)	(129,124)	(533,098)	-	(839,574)	(845,680)
-	124,957	602,159	2,169,210	1,075,442	-	3,846,811	3,971,768
\$ -	\$ 118,851	\$ 424,807	\$ 2,040,086	\$ 542,344	\$ -	\$ 3,007,237	\$ 3,126,088

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## AGENCY FUNDS

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### **Student Activity Fund**

Accounts for assets held for various student groups throughout the District.

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED JUNE 30, 2018

	BALANCE JULY 1 2017			ADDITIONS	DEDUCTIONS	BALANCE JUNE 30 2018		
<b>STUDENT ACTIVITY ACCOUNT</b>								
Assets:								
Due From Other Funds	\$	440,173	\$	1,355,928	\$	1,292,635	\$	503,466
Other Receivables		635		6,255		5,620		1,270
Other Current Assets		798		-		798		-
Total Assets	\$	<u>441,606</u>	\$	<u>1,362,183</u>	\$	<u>1,299,053</u>	\$	<u>504,736</u>
Liabilities:								
Accounts Payable	\$	10,626	\$	954,395	\$	924,396	\$	40,625
Accrued Wages Payable		242		-		242		-
Due to Student Groups		430,738		851,999		818,626		464,111
Total Liabilities	\$	<u>441,606</u>	\$	<u>1,806,394</u>	\$	<u>1,743,264</u>	\$	<u>504,736</u>

**OTHER INFORMATION - REQUIRED TEA SCHEDULES**

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED JUNE 30, 2018

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ Various
2010	1.040000	0.285095	1,330,974,670
2011	1.040000	0.252095	1,349,553,744
2012	1.040000	0.252100	1,463,518,160
2013	1.170000	0.252100	1,578,565,823
2014	1.170000	0.252100	1,613,244,660
2015	1.170000	0.360000	1,675,080,534
2016	1.170000	0.360000	1,756,031,914
2017	1.170000	0.360000	1,881,804,527
2018 (School year under audit)	1.170000	0.360000	2,016,017,059
1000 TOTALS			

(10) Beginning Balance 7/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2018
\$ 567,682	\$ -	\$ 9,494	\$ 2,547	\$ (17,851)	\$ 537,790
50,574	-	3,084	747	(130)	46,613
60,520	-	2,240	543	(130)	57,607
91,719	-	8,668	1,868	(143)	81,040
92,154	-	11,591	2,498	(485)	77,580
147,256	-	11,931	3,263	(523)	131,539
182,958	-	19,949	6,138	(476)	156,395
235,390	-	31,772	9,776	(13,558)	180,284
534,836	-	14,748	4,538	(281,063)	234,487
-	30,845,061	23,133,958	7,118,141	-	592,962
<u>\$ 1,963,089</u>	<u>\$ 30,845,061</u>	<u>\$ 23,247,435</u>	<u>\$ 7,150,059</u>	<u>\$ (314,359)</u>	<u>\$ 2,096,297</u>

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
 FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT J-2

**UNAUDITED**

1	Total General Fund Balance as of 6/30/18 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 15,740,970
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 401,057	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	974,904	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	348,000	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	-	
7	Estimate of two month's average cash disbursements during the fiscal year.	10,028,193	
8	Estimate of delayed payments from state sources (58xx).	9,697,895	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
10	Estimate of delayed payments from federal sources (59xx)	681,441	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	<hr style="width: 100%;"/> 22,131,490	
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)	<hr style="width: 100%;"/> \$ (6,390,520)	



CANUTILLO INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 80,000	\$ 80,000	\$ 95,599	\$ 15,599
5800	State Program Revenues	108,000	108,000	23,506	(84,494)
5900	Federal Program Revenues	4,362,300	4,825,098	5,164,073	338,975
5020	Total Revenues	4,550,300	5,013,098	5,283,178	270,080
EXPENDITURES:					
0035	Food Services	4,310,300	4,658,098	4,339,717	318,381
0051	Facilities Maintenance and Operations	240,000	355,000	340,089	14,911
6030	Total Expenditures	4,550,300	5,013,098	4,679,806	333,292
1200	Net Change in Fund Balances	-	-	603,372	603,372
0100	Fund Balance - July 1 (Beginning)	375,934	375,934	375,934	-
3000	Fund Balance - June 30 (Ending)	\$ 375,934	\$ 375,934	\$ 979,306	\$ 603,372

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 6,898,375	\$ 6,898,375	\$ 7,270,183	\$ 371,808
5800	State Program Revenues	405,711	405,711	625,361	219,650
5020	Total Revenues	7,304,086	7,304,086	7,895,544	591,458
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	2,490,055	2,490,055	2,490,054	1
0072	Interest on Long Term Debt	4,351,005	4,351,005	4,351,004	1
0073	Bond Issuance Cost and Fees	463,026	463,026	3,078	459,948
6030	Total Expenditures	7,304,086	7,304,086	6,844,136	459,950
1200	Net Change in Fund Balances	-	-	1,051,408	1,051,408
0100	Fund Balance - July 1 (Beginning)	4,283,756	4,283,756	4,283,756	-
1300	Increase (Decrease) in Fund Balance	-	-	(164,341)	(164,341)
3000	Fund Balance - June 30 (Ending)	\$ 4,283,756	\$ 4,283,756	\$ 5,170,823	\$ 887,067

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**  
**Index for Statistical Section**  
**(Unaudited)**

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Canutillo Independent School District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health. To assist financial statements users, the information contained within this sections is categorized as follows:

	<u>Page</u>
<b>Financials Trends</b>	137
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	147
These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax.	
<b>Debt Capacity</b>	159
These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.	
<b>Demographic &amp; Economic Indicators</b>	165
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities takes places.	
<b>Operating Information</b>	169
These schedules contain service and infrastructure data to help the reader understand how the information in the governments relates to the financial report service the government provides and the activities it performs.	

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## **FINANCIAL TRENDS**

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**Canutillo Independent School District**  
**Net Position by Component, Last Ten Fiscal Years**  
 (Accrual basis of accounting)  
 (Unaudited)

**TABLE I**

	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental activities					
Net investment in capital assets	\$ 32,317,978	\$ 31,121,521	\$ 29,073,637	\$ 29,084,204	\$ 33,966,973
Restricted	1,873,939	1,645,999	5,873,307	5,876,466	5,232,120
Unrestricted	9,004,038	8,743,367	13,945,499	17,304,569	12,900,202
Total primary government net position	<u>\$ 43,195,955</u>	<u>\$ 41,510,887</u>	<u>\$ 48,892,443</u>	<u>\$ 52,265,239</u>	<u>\$ 52,099,295</u>

	Fiscal Year				
	2014	2015	2016	2017	2018
Governmental activities					
Net investment in capital assets	\$ 24,799,048	\$ 28,182,784	\$ 31,770,051	\$ 22,668,689	\$ 26,953,689
Restricted	8,887,246	5,461,797	4,676,155	5,319,337	5,191,080
Unrestricted	13,955,278	2,669,166	(2,383,700)	4,511,980	(22,959,608)
Total primary government net position	<u>\$ 47,641,572</u>	<u>\$ 36,313,747</u>	<u>\$ 34,062,506</u>	<u>\$ 32,500,006</u>	<u>\$ 9,185,161</u>

**Source:** CISD Comprehensive Annual Financial Report- Exhibit A-1

**Canutillo Independent School District**  
**Expenses, Program Revenues, and Net (Expense)/Revenue**  
**Last Ten Fiscal Years**  
 (Accrual basis of accounting)  
 (Unaudited)

	<b>Fiscal Year</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Expenses</b>				
Governmental activities				
Instruction	\$ 30,784,021	\$ 32,484,379	\$ 28,100,371	\$ 31,200,188
Instructional Resources and Media Services	1,062,488	1,033,748	971,972	1,101,634
Curriculum and Staff Development	1,456,298	1,405,191	1,220,150	1,659,085
Instructional Leadership	993,546	1,051,884	941,782	1,371,266
School Leadership	2,729,801	2,777,747	2,298,376	2,854,901
Guidance, Counseling and Evaluation Services	1,382,937	1,296,796	1,177,901	1,415,134
Social Work Services	88,930	39,242	30,587	39,345
Health Services	511,278	554,646	569,298	602,720
Student (Pupil) Transportation	1,074,354	1,372,330	1,263,700	1,781,575
Food Services	4,588,401	4,686,745	3,438,982	4,087,528
Cocurricular/Extracurricular Activities	1,410,206	1,326,546	1,285,340	1,513,198
General Administration	2,219,818	2,270,740	1,812,575	2,432,152
Plant Maintenance and Operations	5,018,594	4,913,159	3,765,721	4,830,079
Security and Monitoring Services	144,470	146,291	83,454	102,407
Data Processing Services	954,041	1,030,906	833,872	1,056,607
Community Services	841,587	824,781	493,900	536,096
Debt Service - Interest on Long Term Debt	3,419,035	5,615,076	2,256,058	3,532,034
Debt Service - Bond Issuance Cost & Fees	76,873	74,905	72,858	60,588
Capital Outlay	1,459	-	-	3,105
Payments to Fiscal Agent/Mem Districts of SSA				
Other Intergovernmental charges	241,059	232,655	218,681	278,282
<b>Total Primary Government Expenses</b>	<b>58,999,196</b>	<b>63,137,767</b>	<b>50,835,578</b>	<b>60,457,924</b>
<b>Program Revenues</b>				
Charges for services				
Instruction	7,270	2,283	9,415	17,404
Instructional Resources and Media Services	-	-	-	-
Curriculum and Staff Development	-	-	-	-
Instructional Leadership	-	-	-	-
School Leadership	-	-	-	-
Guidance, Counseling and Evaluation Services	-	-	-	-
Social Work Services	-	-	-	-
Health Services	-	-	-	-
Student (pupil) services	21,221	7,818	26,522	14,905
Food Services	268,892	230,928	120,367	132,095
Cocurricular/Extracurricular Activities	58,321	35,756	42,926	36,607
General Administration	46,306	15,637	53,044	29,811
Plant Maintenance and Operations	203,619	80,555	249,590	145,033
Security and Monitoring Services	-	-	-	-
Data Processing Services	-	-	-	-
Community Services	88,422	32,577	110,509	62,106
Debt Service - Interest on Long Term Debt	-	-	-	-
Debt Service - Bond Issuance Cost & Fees	-	-	-	-
Capital Outlay	-	-	-	-
Payments to Fiscal Agent/Mem Districts of SSA	-	-	-	-
Other Intergovernmental charges	-	-	-	-
Operating Grants and Contributions	15,932,040	18,187,006	15,112,693	14,105,734
<b>Total Primary Government Program Revenues</b>	<b>16,626,091</b>	<b>18,592,560</b>	<b>15,725,066</b>	<b>14,543,695</b>
<b>Net (Expense)/Revenue</b>				
<b>Total Primary Government Net Expense</b>	<b>\$ (42,373,105)</b>	<b>\$ (44,545,207)</b>	<b>\$ (35,110,512)</b>	<b>\$ (45,914,229)</b>

Source: CISD Comprehensive Annual Financial Report - Exhibit B-1



TABLE II

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 33,615,833	\$ 34,234,601	\$ 35,226,880	\$ 38,288,774	\$ 37,482,401	\$ 26,221,230
953,727	968,921	1,053,926	1,182,000	1,095,043	784,450
1,536,109	1,686,770	1,777,212	1,695,449	1,488,613	967,803
1,556,826	1,484,988	1,455,209	1,382,591	1,184,541	771,226
3,046,901	3,266,106	3,296,838	3,731,217	3,676,244	2,501,891
1,496,207	1,654,980	1,726,094	1,984,359	2,044,066	1,328,108
41,265	41,554	36,155	155,307	145,079	140,521
640,185	699,697	681,940	774,168	803,216	532,796
386,170	1,640,477	1,915,070	1,983,976	2,084,676	1,554,675
4,222,843	4,389,598	4,339,187	5,524,936	5,644,974	3,959,903
1,463,616	1,716,863	1,736,003	1,739,198	1,735,534	1,330,429
2,921,892	3,036,663	3,244,161	3,152,205	2,981,527	2,065,124
4,724,592	5,048,522	5,562,117	6,304,418	6,153,931	5,848,792
128,081	189,272	392,051	491,967	455,581	506,700
1,069,567	1,274,230	1,667,324	1,910,274	1,753,079	1,451,788
553,864	550,769	591,605	590,331	526,044	399,077
6,461,659	6,011,562	5,964,443	6,013,049	4,037,339	3,045,369
174,534	433,465	560,196	217,586	223,610	3,078
1,871,479	606,115	6,054			
271,726	299,359	308,677	331,542	376,335	379,178
<u>67,137,076</u>	<u>69,234,512</u>	<u>71,541,142</u>	<u>77,453,347</u>	<u>73,891,833</u>	<u>53,792,138</u>
12,565	22,200	16,034	8,483	4,961	16,366
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
17,445	4,833	3,312	-	-	-
122,820	136,402	130,754	115,676	83,153	93,487
35,003	34,392	53,198	43,606	58,867	37,742
41,868	48,329	66,243	95,314	128,766	59,140
209,862	16,800	18,336	34,183	41,586	-
-	-	-	-	508,285	-
-	176,402	235,162	376,240	-	-
87,225	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
11,572,866	11,062,739	10,884,672	11,364,253	11,285,053	2,545,320
<u>12,099,654</u>	<u>11,502,097</u>	<u>11,407,711</u>	<u>12,037,755</u>	<u>12,110,671</u>	<u>2,752,055</u>
<u>\$ (55,037,422)</u>	<u>\$ (57,732,415)</u>	<u>\$ (60,133,431)</u>	<u>\$ (65,415,592)</u>	<u>\$ (61,781,162)</u>	<u>\$ (51,040,083)</u>

**Canutillo Independent School District**  
**General Revenues and Total Change in Net Position**  
**Last Ten Fiscal Years**  
 (Accrual basis of accounting)  
 (Unaudited)

	<b>Fiscal Year</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Net (Expense)/Revenue</b>				
Total primary government net expense	\$ (42,373,105)	\$ (44,545,207)	\$ (35,110,512)	\$ (45,914,229)
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes				
Property Taxes, Levied for General Purposes	12,483,428	13,894,105	14,044,560	17,092,965
Property Taxes, Levied for Debt Service	3,041,498	3,386,600	3,421,446	3,719,795
State Aid - Formula Grants	26,334,817	25,496,742	25,362,710	27,905,879
Grants and Contributions not Restricted	-	-	166,473	279,395
Investment Earnings	277,694	49,288	43,192	90,446
Miscellaneous Local and Intermediate Revenue	667,346	111,674	141,952	204,895
Special Item - Refund on Bond Item	-	-	-	-
Special Item - Gain on Disposal of Capital Assets	-	-	-	-
Special Item - Loss on Disposal of Capital Assets	-	-	-	-
Total Primary Government	<u>42,804,783</u>	<u>42,938,409</u>	<u>43,180,333</u>	<u>49,293,375</u>
<b>Change in Net Position</b>				
Total Primary Government	<u>\$ 431,678</u>	<u>\$ (1,606,798)</u>	<u>\$ 8,069,821</u>	<u>\$ 3,379,146</u>

**Source:** CISD Comprehensive Annual Financial Report - Exhibit B- 1

TABLE III

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ (55,037,422)	\$ (57,732,415)	\$ (60,133,431)	\$ (65,415,592)	\$ (61,781,162)	\$ (51,040,083)
18,865,639	19,276,284	20,939,039	21,656,317	21,239,263	23,357,478
4,060,552	5,347,671	6,178,346	6,606,361	6,532,538	7,078,855
-	-	-	-	-	-
32,792,748	28,417,014	30,645,558	34,231,566	31,405,563	30,602,475
100,894	77,150	40,420	75,399	146,474	255,799
-	156,574	24,614	594,708	894,824	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(38,652)	-	-	-
55,819,833	53,274,693	57,789,325	63,164,351	60,218,662	61,294,607
\$ 782,411	\$ (4,457,722)	\$ (2,344,106)	\$ (2,251,241)	\$ (1,562,500)	\$ 10,254,524

**Canutillo Independent School District**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(Modified accrual basis of accounting)  
(Unaudited)

	<b>Fiscal Year</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
General Fund				
Nonspendable	\$ -	\$ -	\$ 139,433	\$ 110,317
Restricted	-	-	1,421,369	1,871,361
Assigned				
Committed	-	-	570,000	3,405,055
Unassigned	-	-	10,859,531	11,127,532
Reserved	1,005,994	879,393	-	-
Unreserved	5,740,875	5,045,692	-	-
Total General Fund	<u>\$ 6,746,869</u>	<u>\$ 5,925,085</u>	<u>\$ 12,990,333</u>	<u>\$ 16,514,265</u>
All Other Governmental Funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	13,522,290	12,874,204	15,838,622	32,815,173
Committed	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	<u>\$ 13,522,290</u>	<u>\$ 12,874,204</u>	<u>\$ 15,838,622</u>	<u>\$ 32,815,173</u>
Total Governmental Funds	<u>\$ 20,269,159</u>	<u>\$ 18,799,289</u>	<u>\$ 28,828,955</u>	<u>\$ 49,329,438</u>

**Note:** The District adopted the provisions of GASB 54 in 2011. Therefore, the fund balances beginning in 2011 conform with GASB 54.

**Source:** CISD Comprehensive Annual Financial Report - Exhibit C-1

TABLE IV

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 146,873	\$ 265,957	\$ 348,465	\$ 403,311	\$ 338,560	\$ 401,057
2,107,695 *	2,169,543	1,930,305	749,104	827,080	974,904
			350,000	-	348,000
6,201,277 *	2,821,905	-	917,006		
11,482,461 *	7,929,527	10,475,439	9,884,396	11,417,169	14,017,009
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 19,938,306</u>	<u>\$ 13,186,932</u>	<u>\$ 12,754,209</u>	<u>\$ 12,303,817</u>	<u>\$ 12,582,809</u>	<u>\$ 15,740,970</u>
\$ -	\$ -	\$ -	\$ 552	\$ 2,365	\$ -
25,659,269	30,346,891	12,347,491	8,087,766	8,253,159	8,296,911
-	-	-	-	-	-
-	-	-	(552)	-	-
<u>\$ 25,659,269</u>	<u>\$ 30,346,891</u>	<u>\$ 12,347,491</u>	<u>\$ 8,087,766</u>	<u>\$ 8,255,524</u>	<u>\$ 8,296,911</u>
<u>\$ 45,597,575</u>	<u>\$ 43,533,823</u>	<u>\$ 25,101,700</u>	<u>\$ 20,391,583</u>	<u>\$ 20,838,333</u>	<u>\$ 24,037,881</u>

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## **REVENUE CAPACITY INFORMATION**

**Canutillo Independent School District**  
**Governmental Funds Revenues**  
**Last Ten Fiscal Years**  
(Modified accrual basis of accounting)  
(Unaudited)

	Fiscal Year				
	2009	2010	2011	2012	2013
Local Revenues					
Property Taxes	\$ 16,286,366	\$ 17,407,949	\$ 17,504,724	\$ 20,808,011	\$ 23,049,329
Investment Income	277,694	58,352	43,192	90,446	66,472
Food Sales	268,892	230,928	120,367	132,096	219,207
Cocurricular Student Activities	54,784	34,453	38,506	34,123	39,455
Other	685,782	272,354	524,453	391,311	0
Total Local Revenues	<u>17,573,518</u>	<u>18,004,036</u>	<u>18,231,242</u>	<u>21,455,987</u>	<u>23,374,463</u>
State Revenues	<u>32,732,956</u>	<u>30,077,394</u>	<u>29,196,193</u>	<u>31,610,142</u>	<u>33,274,433</u>
Federal Revenues	<u>9,229,717</u>	<u>13,475,064</u>	<u>11,427,827</u>	<u>10,669,557</u>	<u>9,737,381</u>
Total Governmental Fund Revenues	<u>59,536,191</u>	<u>61,556,494</u>	<u>58,855,262</u>	<u>63,735,686</u>	<u>66,386,277</u>

**Source:** CISD Comprehensive Annual Financial Report - Exhibit C-3



**TABLE V**

<b>Fiscal Year</b>				
<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$ 23,460,844	\$ 25,376,977	\$ 26,193,864	\$ 28,658,030	\$ 30,721,789
76,061	38,971	75,399	146,474	255,799
137,761	132,386	113,999	83,153	93,487
34,392	43,262	38,589	52,090	37,742
279,001	358,841	1,245,843	726,576	118,499
<u>23,988,059</u>	<u>25,950,437</u>	<u>27,667,694</u>	<u>29,666,323</u>	<u>31,227,316</u>
<u>30,442,336</u>	<u>32,481,808</u>	<u>35,019,884</u>	<u>33,219,051</u>	<u>34,025,072</u>
<u>9,024,043</u>	<u>9,048,422</u>	<u>9,233,966</u>	<u>9,813,149</u>	<u>9,912,624</u>
<u>63,454,438</u>	<u>67,480,667</u>	<u>71,921,544</u>	<u>72,698,523</u>	<u>75,165,012</u>

**Canutillo Independent School District**  
**Governmental Funds Expenditures and Debt Service Ratio**  
**Last Ten Fiscal Years**  
(Modified accrual basis of accounting)  
(Unaudited)

	<b>Fiscal Year</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Instruction	\$ 28,614,313	\$ 31,281,069	\$ 26,386,260	\$ 29,281,583
Instructional Resources and Media Services	967,691	959,007	889,246	1,006,317
Curriculum and Instructional Staff Development	1,438,162	1,417,871	1,219,275	1,695,188
Instructional Leadership	973,435	1,046,982	927,273	1,361,932
School Leadership	2,651,749	2,777,409	2,265,806	2,861,580
Guidance, Counseling and Evaluation Services	1,354,036	1,303,620	1,169,270	1,413,695
Social Work Services	86,887	39,070	30,044	38,962
Health Services	495,127	552,062	560,419	602,989
Student (Pupil) Transportation	942,850	1,738,384	1,331,993	2,873,275
Food Services	4,542,350	4,695,877	3,164,830	3,766,167
Cocurricular/Extracurricular Activities	1,243,457	1,182,796	1,127,067	1,352,107
General Administration	2,170,919	2,300,144	1,796,405	2,418,421
Facilities Maintenance and Operations	4,934,560	5,129,266	3,733,978	5,058,466
Security and Monitoring Services	141,849	147,008	82,818	102,152
Data Processing Services	862,195	1,060,938	741,630	1,196,111
Community Services	778,998	782,150	445,838	479,842
Debt Service				
Principal	1,705,000	2,475,000	-	2,380,000
Interest	3,540,140	4,817,329	1,518,773	3,426,180
Bond Issuance Cost and Fees	13,758	233,869	8,670	396,534
Facilities Acquisition and Construction	3,669,436	729,940	519,055	3,628,384
Other governmental charges	241,059	232,655	218,681	278,282
<b>Total Expenditures</b>	<b>\$ 61,367,971</b>	<b>\$ 64,902,446</b>	<b>\$ 48,137,331</b>	<b>\$ 65,618,167</b>
Debt Service as a Percentage of Noncapital Expenditures	9.09%	11.36%	3.19%	9.37%

**Source:** CISD Comprehensive Annual Financial Report - Exhibit C-3

TABLE VI

## Fiscal Year

	2013	2014	2015	2016	2017	2018
\$	31,294,611	\$ 31,895,913	\$ 31,796,849	\$ 32,943,294	\$ 33,754,675	\$ 33,831,196
	844,561	846,854	886,300	976,222	939,788	954,047
	1,559,568	1,677,150	1,751,739	1,589,671	1,472,717	1,394,177
	1,531,914	1,466,412	1,419,340	1,290,962	1,156,367	1,164,559
	3,016,204	3,205,277	3,195,397	3,442,024	3,580,242	3,716,948
	1,473,238	1,674,175	1,691,052	1,825,249	2,003,763	1,998,330
	40,249	40,772	43,118	152,006	150,838	158,593
	632,471	684,311	656,397	710,135	775,005	821,252
	1,817,830	1,951,793	1,742,115	1,794,000	1,870,241	1,893,399
	3,873,751	4,166,425	4,112,857	5,060,615	5,178,373	4,388,246
	1,294,945	1,483,842	1,444,182	1,420,135	1,455,910	1,551,026
	2,880,728	2,997,564	3,168,342	2,989,759	2,924,449	2,931,415
	4,990,374	5,064,261	5,555,429	5,837,664	5,937,974	6,053,251
	126,636	187,954	383,701	448,580	453,821	601,348
	1,281,363	1,399,139	1,529,991	1,740,997	1,637,502	1,990,406
	490,465	481,962	487,565	472,990	425,506	419,300
	1,609,997	2,614,956	3,023,764	3,290,619	2,664,189	2,770,656
	4,451,965	4,486,625	4,443,454	4,214,993	4,653,143	4,455,845
	174,534	433,465	560,196	217,586	223,610	3,078
	6,627,273	20,839,552	18,905,933	6,258,354	334,250	324,873
	271,726	299,413	308,677	331,542	376,335	379,178
\$	<u>70,284,403</u>	<u>\$ 87,897,815</u>	<u>\$ 87,106,398</u>	<u>\$ 77,007,397</u>	<u>\$ 71,968,698</u>	<u>\$ 71,801,123</u>
*	9.52%	10.59%	10.95%	10.61%	10.21%	10.11%

**Canutillo Independent School District**  
**Other Financing Sources and Uses and Net Change in Fund Balances**  
**Governmental Funds**  
**Last Ten Fiscal Years**  
 (Modified accrual basis of accounting)  
 (Unaudited)

	Fiscal Year				
	2009	2010	2011	2012	2013
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (1,831,780)</b>	<b>\$ (3,345,952)</b>	<b>\$ 10,717,931</b>	<b>\$ (1,882,481)</b>	<b>\$ (3,898,126)</b>
<b>Other Financing Sources (Uses)</b>					
General Long-term Debt Issued	-	27,334,997	-	24,770,000	6,209,996
Sale of Real or Personal Property	-	-	-	-	-
Transfers In	-	190,333	-	-	-
Premium or Discount on Issuance of Bonds	-	1,954,355	-	1,736,620	1,000,991
Prepaid Interest	-	-	-	-	-
Lease of Mineral Rights	-	-	-	-	-
Other Resources	-	-	-	-	-
Transfers Out	-	(190,333)	-	-	-
Payment to Bond Refunding Escrow Agent	-	-	-	-	-
Other (Uses)	-	(27,335,000)	-	(4,117,306)	(7,044,724)
Total Other Financing Sources (Uses)	-	1,954,352	-	22,389,314	166,263
<b>Net Change in Fund Balances</b>	<b>\$ (1,831,780)</b>	<b>\$ (1,391,600)</b>	<b>\$ 10,717,931</b>	<b>\$ 20,506,833</b>	<b>\$ (3,731,863)</b>

Source: CISD Comprehensive Annual Financial Report - Exhibit C-3

TABLE VII

Fiscal Year				
2014	2015	2016	2017	2018
\$ (24,443,377)	\$ (19,625,731)	\$ (5,085,853)	729,825	3,363,889
20,705,000	16,870,000	8,645,000	8,455,000	0
-	-	-	-	-
1,195,524	800,091	168,101	3,613	0
1,674,625	2,139,576	1,271,728	1,437,985	0
-	-	-	-	-
-	-	-	-	-
-	-	-	(3,613)	0
-	-	-	-	-
<u>(1,195,524)</u>	<u>(18,616,058)</u>	<u>(9,709,093)</u>	<u>(10,176,060)</u>	<u>0</u>
<u>22,379,625</u>	<u>1,193,609</u>	<u>375,736</u>	<u>(283,075)</u>	<u>0</u>
<u>\$ (2,063,752)</u>	<u>\$ (18,432,122)</u>	<u>\$ (4,710,117)</u>	<u>446,750</u>	<u>3,363,889</u>

Canutillo Independent School District  
 Assessed Value and Actual Value of Taxable Property  
 Last Ten Fiscal Years  
 (Unaudited)

TABLE VIII

Fiscal Year	FORMULA Assessed Value		Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate <sup>b</sup>	Estimated Actual Taxable <sup>c</sup> Value	FORMULA Taxable Assessed Value as a Percentage of Actual Taxable Value
	Real Property	Personal Property					
2009	1,710,601,680	N/A	438,093,818	1,272,507,862	1.3251	1,710,601,680	74.39%
2010	1,584,164,408	316,009,046	523,816,580	1,376,356,874	1.3251	1,900,173,454	72.43%
2011	1,754,893,833	282,608,440	667,293,947	1,370,208,326	1.2921	2,037,502,273	67.25%
2012	1,864,246,937	328,400,259	716,518,923	1,476,128,273	1.2921	2,192,647,196	67.32%
2013	1,962,379,433	370,093,550	735,652,540	1,596,820,443	1.4221	2,332,472,983	68.46%
2014	2,036,356,898	480,703,233	836,217,167	1,680,842,964	1.4221	2,517,060,131	66.78%
2015	2,005,251,659	474,574,116	820,905,267	1,658,920,508	1.4900	2,479,825,775	66.90%
2016	2,171,523,190	485,548,680	888,172,374	1,768,899,496	1.5300	2,657,071,870	66.57%
2017	2,276,976,588	511,664,925	938,908,114	1,849,733,399	1.5300	2,788,641,513	66.33%
2018	2,329,729,591	635,928,223	937,170,733	2,028,487,081	1.5300	2,965,657,814	68.40%

Source: Central Appraisal District

Notes:

<sup>b</sup>Per \$100 of assessed valuation

<sup>c</sup>Market value

2009 data was not available

**Canutillo Independent School District  
Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years**

**TABLE IX**

*(rate per \$100 of assessed value)*

(Unaudited)

Fiscal Year	District Direct Rates			Overlapping Rates <sup>a</sup>				
	Operating	Debt Service	Total	El Paso County	University Medical Center	El Paso Community College	Emergency Serv. District #2	Village of Vinton
2009	1.0400	0.2851	1.3251	0.33826	0.17941	0.10567	0.10000	0.25000
2010	1.0400	0.2521	1.2921	0.36340	0.18212	0.10733	0.10000	0.24429
2011	1.0400	0.2521	1.2921	0.36120	0.19236	0.11544	0.10000	0.27972
2012	1.1700	0.2521	1.4221	0.40887	0.19236	0.11409	0.10000	0.27972
2013	1.1700	0.2521	1.4221	0.43313	0.21439	0.12436	0.10000	0.27570
2014	1.1700	0.3200	1.4900	0.45269	0.22165	0.12866	0.10000	0.27570
2015	1.1700	0.3600	1.5300	0.45269	0.22068	0.13381	0.09508	0.32298
2016	1.1700	0.3600	1.5300	0.45613	0.22261	0.13491	0.09460	0.36870
2017	1.1700	0.3600	1.5300	0.45269	0.23446	0.13491	0.09460	0.46497
2018	1.1700	0.3600	1.5300	0.44782	0.25194	0.14027	0.09086	0.75245

**Source:** El Paso Central Appraisal District, Assistant Chief Appraiser

**Note:**

<sup>a</sup>Includes levies for operating and debt service costs

Canutillo Independent School District  
Principal Property Taxpayers  
Current Year and Ten Years Ago  
(Unaudited)

TABLE X

Taxpayer	2018			2009		
	Taxable	Rank	Percentage of	Taxable	Rank	Percentage of
	Assessed Value		Taxable Value	Assessed Value		Taxable Value
Tenet Hospitals Limited	\$ 83,840,000	1	4.13%			
El Paso Outlet Outparcels LLC	64,307,424	2	3.17%			
Care Fusion 213 LLC	29,932,946	3	1.48%			
Sierra Providence West	22,906,300	4	1.13%			
Sumitomo Electric Wiring System Inc.	19,503,080	5	0.96%			
Plexar Joint Venture	18,821,255	6	0.93%	\$ 16,634,534	6	1.34%
Quarry Cave Partners LTD	18,464,546	7	0.91%			
B. Steel Properties I LTD	15,210,119	8	0.75%			
El Paso Electric Co.	14,987,500	9	0.74%			
Schneider Electric USA Inc.	13,387,239	10	0.66%			
El Paso Outlet Center				\$ 43,911,665	1	3.52%
TTI Floorcare North America				25,845,352	2	2.07%
Sumi Texas Wire, Inc.				25,382,090	3	2.04%
Arcelor Mittal				19,146,564	4	1.54%
ADP Inc.				16,966,956	5	1.36%
Enturia Inc.				15,914,312	7	1.28%
Security Industrial Capital				13,545,349	8	1.09%
Hoover Company				12,924,819	9	1.04%
Lomas Del Sol 3 LP.				12,788,388		1.03%
Subtotal	\$ 301,360,409		14.87%	\$ 203,060,029		16.31%
*All other taxpayers	1,727,566,640		85.13%	1,042,684,018		83.68%
	<u>\$ 2,028,927,049</u>		<u>100.00%</u>	<u>\$ 1,245,744,047</u>		<u>100.00%</u>

Source: Central Appraisal District



Canutillo Independent School District  
Property Tax Levies and Collections  
Last Ten Fiscal Years  
(Unaudited)

TABLE XI

Fiscal Year	Tax Year	Original Levy	Adjustments	Adjusted Levy	Collected within the Fiscal Year of the Levy		Collected in Subsequent Period	Total Collections to Date	
					Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2009	2008-2009	16,204,038	(95,731.62)	16,108,307	15,474,998	95.50%	432,929	15,907,927	98.76%
2010	2009-2010	17,534,968	(327,222.16)	17,207,746	16,655,216	94.98%	350,974	17,006,190	98.83%
2011	2010-2011	17,635,045	(197,461.30)	17,437,584	16,938,784	96.05%	192,449	17,131,233	98.24%
2012	2011-2012	20,801,944	10,747.59	20,812,692	20,204,295	97.13%	552,597	20,756,892	99.73%
2013	2012-2013	22,493,668	(44,883.26)	22,448,785	21,724,992	96.58%	493,652	22,218,644	98.97%
2014	2013-2014	24,575,629	(538,283.36)	24,037,345	23,330,099	94.93%	360,185	23,690,284	98.56%
2015	2014-2015	25,351,936	(81,374.99)	25,270,561	24,659,016	97.27%	247,535	24,906,551	98.56%
2016	2015-2016	26,801,275	(255,957.97)	26,545,317	25,894,457	96.62%	275,120	26,169,577	98.58%
2017	2016-2017	28,760,640	(292,041.83)	28,468,598	27,933,762	97.12%	239,739	28,173,501	98.96%
2018	2017-2018	30,979,593	(134,532.07)	30,845,061	30,252,099	97.65%	108,841	30,360,940	98.43%

**Notes:** This schedule includes operating and debt service tax revenues

**Source:** El Paso Consolidated Tax Office- Property Tax Collection Analysis Report  
CISD Comprehensive Annual Financial Report - Exhibit J-1

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## **DEBT CAPACITY INFORMATION**

Canutillo Independent School District  
 Outstanding Debt by Type  
 Last Ten Fiscal Years  
 (Unaudited)

TABLE XII

Governmental Activities

Fiscal Year	General Obligation Bonds	Bond Accretion Payable	Unamortized Premium on Bonds	Capital Leases	Other Liabilities	Total Primary Government	Percentage of Personal Income <sup>a</sup>	Estimated Population	Per Capita <sup>a</sup>	Ratio of Net Bonded Debt to Estimated Actual Property Value <sup>b</sup>
2009	72,369,994	478,341	2,122,702	-	1,170,847	76,141,884	0.37%	22,351	3,407	22.47
2010	69,894,991	1,315,210	4,060,450	-	1,159,495	76,430,146	0.34%	27,218	2,808	24.86
2011	69,894,991	1,364,224	3,738,803	-	1,373,150	76,371,168	0.32%	26,020	2,935	26.68
2012	88,179,991	1,421,780	4,688,142	-	686,126	94,976,039	0.38%	25,997	3,653	23.09
2013	86,499,994	2,135,725	4,714,178	-	792,836	94,142,733	0.38%	26,385	3,568	24.78
2014	104,764,632	2,173,849	6,051,057	-	772,333	113,761,871	0.44%	26,427	4,305	22.13
2015	102,100,499	2,207,137	7,767,646	4,603,324	811,339	117,489,945	0.43%	25,802	4,554	21.11
2016	98,633,346	2,235,470	8,526,274	4,351,540	798,716	114,545,346	0.41%	26,884	4,261	23.20
2017	96,045,054	535,639	8,607,973	4,085,642	749,119	110,023,427	0.39%	27,115	4,058	25.35
2018	93,555,000	-	8,000,705	3,805,040	801,252	106,161,997	N/A	27,363	3,880	27.94

Notes:

<sup>a</sup>See Schedule XV for personal income, per capita and population data.

<sup>b</sup>See Schedule VIII for estimated actual property value.

2018 Personal Income is not yet available

FY 2008-2013, there was Workers Comp Liab from Internal Services that was subtracted from Total Primary Government

Source: CISD Comprehensive Annual Financial Report - Note III.E - Changes in Long-term Liabilities

Canutillo Independent School District  
 Direct and Overlapping Governmental Activities Debt  
 As of June 30, 2018  
 (Unaudited)

TABLE XIII

Governmental Unit (Taxing Entity)	Total Tax Supported Debt as of 06/30/18 <sup>a</sup>	As of	Estimated Percentage Applicable <sup>b</sup>	Estimated Share of Direct and Overlapping Debt
El Paso County	\$ 177,154,000 *	6/30/2018	6.02%	\$ 10,664,671
El Paso County Hospital District	348,325,000 *	6/30/2018	4.82%	16,789,265
City of El Paso	1,254,200,000 *	6/30/2018	5.47%	68,604,740
Village of Vinton	6,852,000 *	6/30/2018	85.95%	<u>5,889,294</u>
Subtotal, Overlapping Debt:				\$ 101,947,970
<b>Canutillo ISD Direct Debt</b>		6/30/2017		<u>93,555,000</u>
<b>Total Direct and Overlapping Debt:</b>				<u>\$ 195,502,970</u>
<b>Ratio of Total Direct and Overlapping Debt to Assessed Valuation</b>				<u>9.64%</u>
<b>Per Capita Overlapping Debt</b>				<u>\$ 7,459</u>

\* Gross Debt. Please note that some debt may be supported by other revenues and thus be considered self supporting debt. Using gross debt may overstate the actual amount of debt supported by ad valorem taxes.

a Texas MAC (Municipal Advisory of Texas)

b Methodology for Deriving Overlapping Percentages:

- 1) Determine the estimated shared assessed valuation of taxable property within both the Overlapping Taxing Body(s) and your municipality.
- 2) Divide that shared value by the total assessed value of taxable property within the overlapping taxing body.

Source: Municipal Advisory Council of Texas

**Canutillo Independent School District**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
(Unaudited)

	<u>Fiscal Year</u>			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Assessed value <sup>a</sup>	\$ 1,250,435,973	\$ 1,349,142,955	\$ 1,359,795,022	\$ 1,466,154,994
Debt Limit <sup>b</sup>	125,043,597	134,914,296	135,979,502	146,615,499
Amount of debt applicable to debt limit:				
Total bonded debt	72,369,994	69,894,991	69,894,991	88,179,991
Less: Reserve for debt service	1,188,915	974,825	4,382,023	3,893,350
Total net debt applicable to limit	<u>71,181,079</u>	<u>68,920,166</u>	<u>65,512,968</u>	<u>84,286,641</u>
Legal debt margin	<u>\$ 53,862,518</u>	<u>\$ 65,994,130</u>	<u>\$ 70,466,534</u>	<u>\$ 62,328,858</u>
Total net debt applicable to the limit as a percentage of debt limit.	56.93%	51.08%	48.18%	57.49%
Net Debt Per Capita	3,185	2,532	2,708	3,242

**Notes:**

<sup>a</sup>Market value less exemptions

<sup>b</sup>This percentage is in accordance with the recommendations of the Texas Education Agency as stated in the Texas Education Code, Bulletin 721, Sec. 20.04.

**Source:** Texas Municipal Report

TABLE XIV

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 1,588,210,262	\$ 1,678,164,181	\$ 1,655,096,620	\$ 1,750,221,045	\$ 1,878,393,379	\$ 2,028,927,049
158,821,026	167,816,418	165,509,662	175,022,105	187,839,338	202,892,705
86,499,994	104,764,362	99,353,346	96,415,054	96,415,054	96,045,054
3,292,251	3,815,565	3,398,586	5,188,673	4,367,300	4,283,756
83,207,743	100,948,797	95,954,760	91,226,381	92,047,754	91,761,298
<u>\$ 75,613,283</u>	<u>\$ 66,867,621</u>	<u>\$ 69,554,902</u>	<u>\$ 83,795,724</u>	<u>\$ 95,791,584</u>	<u>\$ 111,131,407</u>
52.39%	60.15%	57.98%	52.12%	49.00%	45.23%
3,154	3,820	3,719	3,393	3,395	3,353

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## **DEMOGRAPHIC AND ECONOMIC INFORMATION**

Canutillo Independent School District  
Demographic and Economic Statistics  
Last Ten Fiscal Years  
(Unaudited)

TABLE XV

<u>Calendar Year</u>	<u>Population<sup>a</sup></u>	<u>Personal Income<sup>b</sup> (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate<sup>c</sup></u>
2009	763,712	20,843,555	27,793	8.60%
2010	773,125	22,588,719	28,833	9.20%
2011	800,647	24,083,067	29,900	9.50%
2012	820,790	25,211,252	30,979	8.50%
2013	846,175	24,741,189	30,783	7.90%
2014	840,769	25,978,051	31,799	6.40%
2015	833,487	27,251,966	31,799	5.20%
2016	841,971	27,744,310	32,614	5.30%
2017	840,410	28,304,596	32,952	4.60%
2018	N/A	N/A	N/A	4.30%

**Notes:** All information above is for El Paso metropolitan area.  
2017 data is estimates from Census 2017  
2018 data is not yet available

**Sources:**

<sup>a</sup>U.S. Census Bureau, North Central Texas Council of Governments

<sup>b</sup>U.S. Department of Commerce, Bureau Of Economic Analysis.

<sup>c</sup>Texas Workforce Commission

Canutillo Independent School District  
Principal Employers  
Current Year and Nine Years Ago  
(Unaudited)

TABLE XVI

<u>Employer</u>	2018			2009		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Fort Bliss (Military and Civilian)	11,329	1	9.88%	6,376	3	2.36%
El Paso Independent School District	7,875	2	6.87%	8,995	1	3.32%
City of El Paso	6,836	3	5.96%	6,143	4	2.27%
Ysleta Independent School District	6,022	4	5.25%	8,482	2	3.13%
T&T Staff Management L.P.	5,348	5	4.66%	5,500	5	2.03%
Socorro Independent School District	5,155	6	4.50%	5,388	6	1.99%
Tenet Hospitals Limited	3,407	7	2.97%			
El Paso County	2,892	8	2.52%	2,271	10	0.84%
Universal Medical Center (UMC)	2,858	9	2.49%			
University of Texas at El Paso (UTEP)	2,757	10	2.40%	4,742	8	1.75%
Walmart				4,770	7	1.76%
El Paso Community College				2,969	9	1.10%
	<u>54,479</u>		<u>47.51%</u>	<u>55,636</u>		<u>20.55%</u>

Notes: 2018 and 2009 are Fiscal Years

Source: City of El Paso Economic & International Development  
City of El Paso - CAFR for 2009

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**OPERATING INFORMATION**

Camutillo Independent School District  
 Full-Time-Equivalent District Employees by Type  
 All Funds  
 Last Ten Fiscal Years  
 (Unaudited)

TABLE XVII

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Percentage Change 2009- 2018
<b>Campus Administration</b>											
Assistant Principal	10	10	10	10	10	11	11	12	12	12	20.0%
Principal	9	9	9	9	9	8.5	9	10	10	9.1	1.1%
Athletic Director	0.6	0.4	0.3	0.2	0.3	0.5	0.6	0.4	0.6	0.6	0.0%
Total Campus Administration	19.60	19.40	19.30	19.20	19.30	20.00	20.60	22.40	22.60	21.70	10.7%
<b>Teachers</b>											
Teacher	385.5	404.1	366.1	363.8	376.6	381.7	391.5	402.7	389.7	403.1	4.6%
Special Duty Teacher	3.9								0	0	0.0%
Substitute Teacher	0	0	0	2.6	1.4	0.5	0.4	0	0	0	0.0%
Total Teachers	389.40	404.10	366.10	366.40	378.00	382.20	391.90	402.70	389.70	403.10	3.5%
<b>Professional Support</b>											
Counselor	14	12.9	13	15	14.4	17	16.8	18	17	15.7	12.1%
Educational Diagnostician	4	4	4	4	4	4.8	5	5	5	4.9	22.5%
Librarian	8	8	7.9	8	8	8	8	9	8	8.1	1.3%
Occupational Therapist	2	2	0	2	2	1	2	2	2	2	0.0%
Physical Therapist	0	0	0	1	1	1	1	1	1	1	100.0%
School Nurse	8	9	9.8	10	9	11	10.8	11	12	10	25.0%
Social Worker	1	0.9	1	1	1	1	0	0	1	1	0.0%
Speech Therapist/Speech-Language Pathologist	3.5	1	2.7	3.1	0	4.9	6	6	6.9	8	128.6%
Work-Based Learning Site Coordinator	0	0.4	0.3	0.3	0.3	0.2	0	0	1	1	100.0%
Teacher Facilitator	4	4	3	3	3	4	4	9	7	5.9	47.5%
Athletic Trainer	2.5	2	1.7	1.8	1	1.9	1	1	1	1	-60.0%
Other Campus Professional Personnel	8	7.9	9	10.3	11.8	13.7	11.9	10.1	9	8.1	1.3%
Other Non-Instructional District Professional P	22	19.8	21.5	24	30.9	31.6	33.9	36	29.8	30	36.4%
Total Professional Support	77.00	71.90	73.90	83.50	86.40	100.10	100.40	108.10	100.70	96.70	25.6%
<b>Central Administration</b>											
Assistant/Assoc/Deputy Super	1	0	0	0	1	1	1	1	2	1	0.0%
District Instructional Program Director or Exec	6	5.2	7	9	10	10.3	10	6	6	6	0.0%
Superintendent/Chief Administrative Officer/ C	1	1	1	1	1	1	1	2	2	1	0.0%
Business Manager	1	1	1	1	1	1	0	0	0	2	100.0%
Director of Personnel/HR	1	1	1	1	1	1	1	1	1	1	0.0%
Total Central Administration	10.00	8.20	10.00	12.00	14.00	14.30	13.00	10.00	11.00	11.00	10.0%
<b>Educational Aides</b>											
Educational Aide	71.5	72.8	75	82.5	86.1	86.3	95.6	92.5	82.6	84.5	18.2%
Total Educational Aide	71.50	72.80	75.00	82.50	86.10	86.30	95.60	92.50	82.60	84.50	18.2%
<b>Auxiliary Staff</b>											
Auxiliary Staff	277.6	280.3	247.9	258.8	252.6	255.8	272.5	279.8	286.2	260.7	-6.1%
Total Auxiliary Staff	277.60	280.30	247.90	258.80	252.60	255.80	272.50	279.80	286.20	260.70	-6.1%
<b>Total FTE</b>	845.10	856.70	792.20	822.40	836.40	858.70	894.00	915.50	892.80	877.70	3.9%

Source: PEIMS

Canutillo Independent School District  
 Operating Statistics,  
 Last Ten Fiscal Years  
 (Unaudited)

TABLE XVIII

<u>Fiscal Year</u>	<u>Peak Enrollment</u>	<u>Operating Expenditures</u>	<u>Cost per Pupil</u>	<u>Teaching Staff</u>	<u>Pupil-Teacher Ratio</u>	<u>Percentage of Students Receiving Free or Reduced-Price Meals</u>
2009	5,719	52,158,230	9,120	395	14.5	100.00%
2010	5,829	56,250,665	9,650	412	14.1	100.00%
2011	5,938	45,872,152	7,725	374	15.9	100.00%
2012	5,995	54,333,313	9,063	370	16.2	100.00%
2013	6,042	57,089,491	9,449	383	15.8	100.00%
2014	5,977	59,160,451	9,898	391	15.3	100.00%
2015	5,859	59,804,699	10,207	394	14.9	100.00%
2016	5,983	62,570,985	10,458	405	14.8	100.00%
2017	6,042	63,709,821	10,544	390	15.5	100.00%
2018	6,219	63,265,985	10,173	406	15.3	100.00%

**Note:** Expenditures for computing per pupil cost are a total of actual expenditures as prescribed by the Texas Education Agency's Financial Accountability System Resource Guide. These include the General and Special Revenue Funds, excluding objects of Debt Service, Capital Outlay and Intergovernmental Charges.

**Source:** PEIMS  
 CISD Comprehensive Annual Financial Report - Exhibit C-3 and H-2

Canutillo Independent School District  
**Building Information**  
**Last Ten Fiscal Years**  
(Unaudited)

TABLE XIX

	<u>Fiscal Year</u>				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b><u>Schools</u></b>					
<b>Elementary</b>					
Buildings	7	7	7	7	7
Square feet	370,608	370,608	370,608	370,608	370,608
<b>Intermediate/Middle</b>					
Buildings	13	13	13	13	13
Square feet	311,506	311,506	311,506	311,506	311,506
<b>High</b>					
Buildings	33	33	34	34	34
Square feet	233,715	233,715	243,350	243,350	243,350
<b><u>Administrative</u></b>					
Buildings	6	6	6	6	6
Square feet	167,360	167,360	167,360	167,360	167,360
<b><u>Athletics</u></b>					
Stadiums	2	3	3	3	3
Football/soccer/play fields	78	79	79	79	79
Running tracks	3	4	4	4	4
Baseball/softball	4	4	4	4	4
Natorium	0	0	0	0	0



	<b>Fiscal Year</b>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>Schools</u></b>					
<b>Elementary</b>					
Buildings	7	7	8	6	6
Square feet	370,608	370,608	515,261	515,261	514,493
<b>Intermediate/Middle</b>					
Buildings	13	14	14	14	14
Square feet	314,631	336,631	336,631	336,631	336,631
<b>High</b>					
Buildings	34	34	34	34	35
Square feet	243,350	243,350	264,350	256,930	258,598
<b><u>Administrative</u></b>					
Buildings	6	6	6	6	6
Square feet	167,360	167,360	167,360	163,760	163,760
<b><u>Athletics</u></b>					
Stadiums	3	3	3	4	4
Football/soccer/play fields	79	79	79	84	84
Running tracks	4	4	4	4	4
Baseball/softball	4	4	4	4	4
Natorium	0	0	0	0	0

**Source:** Facility and Transportation Manager

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**FEDERAL AWARDS SECTION**

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees  
Canutillo Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Canutillo Independent School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Canutillo Independent School District's basic financial statements, and have issued our report thereon dated November 7, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Canutillo Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Canutillo Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Canutillo Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Canutillo Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gibson Ruddock Patterson, LLC  
El Paso, Texas  
November 7, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees  
Canutillo Independent School District

**Report on Compliance for Each Major Federal Program**

We have audited Canutillo Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Canutillo Independent School District's major federal programs for the year ended June 30, 2018. Canutillo Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based in our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Canutillo Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Report on Internal Control Over Compliance

Management of Canutillo Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gibson Ruddock Patterson, LLC  
El Paso, Texas  
November 7, 2018



CANUTILLO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2018

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**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of Auditor's Report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

**Internal control over financial reporting:**

Were significant deficiencies in internal control disclosed? None reported

Were material weaknesses in internal control disclosed? No

Was any noncompliance disclosed that is material to the financial statements of the auditee, which would be required to be reported in accordance with Government Auditing Standards? No

**Federal Awards**

**Internal control over major federal award programs:**

Were significant deficiencies in internal control over major programs disclosed? None reported

Were material weaknesses in internal control over major programs disclosed? No

Type of auditor's report issued on compliance for the major federal award programs: Unmodified

Were there any audit findings that the auditor is required to disclose under Title 2 CFR 200.516 Audit findings paragraph (a)? No

Major Programs: **Child Nutrition Cluster Program, CFDA Cluster 10.553, 10.555 & 10.559**

**Special Education Cluster Program, CFDA 84.027 and 84.173**

**Title II, Part A - Supporting Effective Instruction, CFDA 84.367A**

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Did the auditee qualified as low-risk auditee under 2 CFR 200.520 Criteria for a low-risk auditee? Yes

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL STATEMENT FINDINGS**

There were no current year findings.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no current findings or questioned costs.

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF STATUS OF PRIOR FINDINGS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL STATEMENT FINDINGS**

There were no prior year findings.

**FEDERAL AWARD FINDING AND QUESTIONED COSTS**

There were no prior year findings.

CANUTILLO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<u>Direct Programs</u>			
Navy JROTC	12.000		\$ 69,070
Total Direct Programs			<u>69,070</u>
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			<u>69,070</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
Title I, Part A - Improving Basic Programs	84.010A	17610101071907	143,348
Title I, Part A - Improving Basic Programs	84.010A	18610101071907	1,982,639
Total CFDA Number 84.010A			<u>2,125,987</u>
Title I, Part C - Migrant	84.011A	17615001071907	6,226
Title I, Part C - Migrant	84.011A	18615001071907	227,153
Total CFDA Number 84.011A			<u>233,379</u>
**IDEA - Part B, Formula	84.027A	176600010719076600	30,200
**IDEA - Part B, Formula	84.027A	186600010719076600	870,495
Total CFDA Number 84.027A			<u>900,695</u>
**IDEA - Part B, Preschool	84.173A	186610010719076610	8,321
Total Special Education Cluster (IDEA)			<u>909,016</u>
Carl D. Perkins Basic Formula Grant	84.048A	18420006071907	68,043
Title III, Part A - English Language Acquisition	84.365A	17671001071907	2,719
Title III, Part A - English Language Acquisition	84.365A	18671001071907	167,270
Total CFDA Number 84.365A			<u>169,989</u>
Title II, Part A, Supporting Effective Instruction	84.367A	17694501071907	49,152
Title II, Part A, Supporting Effective Instruction	84.367A	18694501071907	186,365
Total CFDA Number 84.367A			<u>235,517</u>
Summer School LEP	84.369A	69551702	5,140
Title IV, Part A Subpart 1	84.424A	18680101071907	44,598
Total Passed Through State Department of Education			<u>3,791,669</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>3,791,669</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401701 & 71401801	1,568,234
*National School Lunch Program - Cash Assistance	10.555	71301701 & 71301801	2,914,408
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301701 & 71301801	345,009
Total CFDA Number 10.555			<u>3,259,417</u>
*Summer Feeding Program - Cash Assistance	10.559	00351	63,531
Total Child Nutrition Cluster			<u>4,891,182</u>
Child & Adult Care Food Program - Cash Assistance	10.558	00351	175,758
Fresh Fruit and Vegetables	10.582	00351	69,064
NSLP Equipment Assistance Grant	10.579	6TX300355	91,600
Total Passed Through the State Department of Agriculture			<u>5,227,604</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>5,227,604</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 9,088,343</u>

\* and \*\*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

# CANUTILLO INDEPENDENT SCHOOL DISTRICT

## NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

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### 1. GENERAL

For all federal programs, the District uses the fund types specified in the Texas Education Agency's *Financial Accountability System Resource Guide*.

Special Revenue funds are used to account for resources restricted to, or committed for specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal activity of the District under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

### 2. BASIS OF ACCOUNTING

Accounting and Financial Reporting - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. Predominately, federal grant funds were accounted for in a Special Revenue Fund, a component of the Governmental Fund type, with the exception of the National School Lunch and Breakfast Program, SHARS, Child and Adult Care Food Program, Fresh and Vegetables Program, NSLP Equipment Assistance Grant, and Navy JROTC, which were accounted for in the General Fund. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The modified accrual basis of accounting is used for the Governmental Fund Types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

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**2. BASIS OF ACCOUNTING (Continued)**

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. When grant funds are received before expenditures are made, they are recorded as unearned revenues until earned. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Due to the nature of the reporting process for the SHARS program, the District recognizes SHARS revenue upon receipt of the reimbursement notice from federal government.

Period of Performance - The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, Part 3, OMB Compliance Supplement - April 2018.

Matching - Matching contributions were not required for any of the federal awards.

Program Income - The Child Nutrition Cluster generated program income in the amount of \$93,487 for the year ended June 30, 2018.

**3. INDIRECT COST RATE**

The District did not elect to use the 10% de minimis indirect cost rate but used the indirect cost rate assigned by Texas Education Agency.

The District accounted for federally funded indirect cost in the General Fund as follows:

Program Title	Federal CFDA Number	Amount
Title I, Part A - Improving Basic Programs	84.010A	\$ 88,469
Title I, Par C - Migrant	84.011	9,712
IDEA - Part B, Formula	84.027	37,481
IDEA - Part B, Preschool	84.173	346
Carl D. Perkins Basic Formula Grant	84.048	2,832
Title II, Part A - Supporting Effective Instruction	84.367A	9,801
Title III, Part A - LEP/ELA	84.365A	3,333
Title IV, Part A, Subpart 1	84.424	874
Total Indirect Costs		<u>\$ 152,848</u>

(Continued)

**CANUTILLO INDEPENDENT SCHOOL DISTRICT**

NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

**4. RECONCILIATIONS**

Of the federal expenditures presented in exhibit K-1, the District accounted for certain funds in the General Fund as follows:

Program Title	Federal CFDA Number	Amount
School Breakfast Program	10.553	\$ 1,568,234
National School Lunch Program - Cash Assistance	10.555	2,914,408
National School Lunch Program - Non-Cash Assistance	10.555	345,009
Child & Adult Care Food Program	10.558	175,758
NSLP Equipment Assistance Grant	10.579	91,600
Fresh Fruit & Vegetable	10.582	69,064
Navy JROTC	12.000	69,070
Indirect Costs	84.XXX	<u>152,848</u>
		5,385,991
SHARS (not included in Exhibit K-1)		<u>824,281</u>
Total General Fund federal revenue per Exhibit C-3		<u><u>\$ 6,210,272</u></u>

The total federal revenue presented on exhibit K-1 can be reconciled to Exhibit C-3 as follows:

Expenditures of federal awards per Exhibit K-1	\$ 9,088,343
School Health and Related Services (SHARS) reimbursements	<u>824,281</u>
Total federal revenue per Exhibit C-3	<u><u>\$ 9,912,624</u></u>

SCHOOLS FIRST QUESTIONNAIRE

Canutillo Independent School District

Fiscal Year 2018

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SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	0
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	11,505,183
SF13	Pension Expense (6147) at fiscal year-end.	0